Q. Please provide a copy of Newfoundland Power's Quarterly Annual Reports from 2008 to present as filed with the Board.

A. Attachment A provides Newfoundland Power's Quarterly Regulatory Reports and Annual Reports filed with the Board from 2008 to present.

Newfoundland Power's Quarterly and Annual Reports filed with the Board
2008 to Present

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
PO Box 8910
St. John's, Newfoundland
A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

May 14, 2008

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

Enclosed are nine (9) copies of Newfoundland Power Inc.'s Quarterly Regulatory Report for the quarter ending March 31, 2008.

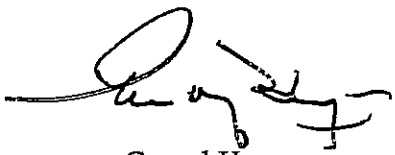
The report is divided into five sections: Quarterly Summary; Capital Expenditure Progress; Inter-Company Transactions; Customer Property Damage Claims; and Contribution In Aid of Construction Activity.

In Order No. P.U. 32(2007), the Board ordered Newfoundland Power to provide, as part of its quarterly reporting, updates on (1) the progress of its retail customer rate review, and (2) the status of the Accounting Standards Board's consideration of the transition to International Financial Reporting Standards. Updates on these matters are provided under the headings *Customer Service* and *Financial Matters*, respectively, in the Quarterly Summary in Section 1 of the report.

The update on the retail customer rate review notes the recent completion of the Rate Design Report Study Plan. A copy of that document is enclosed herewith.

If you have any questions on the enclosed, please contact the undersigned at the direct number noted below.

Yours very truly,



Gerard Hayes
Senior Counsel

Enclosures

c. Geoffrey P. Young
Newfoundland & Labrador Hydro

Telephone: (709) 737-5609 *Email: ghayes@newfoundlandpower.com* *Fax: (709) 737-2974*

Quarterly Regulatory Report

For The Period Ended

March 31, 2008

QUARTERLY REGULATORY REPORT

FOR THE PERIOD ENDED

March 31, 2008

INDEX	TAB
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Capital Expenditure Progress	2
Inter-Company Transactions	3
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1 Highlights

Highlights	1st Quarter			Annual
	Actual 2008	Plan 2008	Actual 2007	Plan 2008
Customer Satisfaction (%)	87	89	88	89
Electricity Delivery [1]				
Electricity Sales (GWh)	1,716.2	1,714.3	1,663.2	5,215.1
Peak Demand (MW) [2]	1,188.0	1,219.8	1,171.8	1,219.8
Customer Minutes of Outage [3]	8.1	13.9	10.9	39.6
Revenue ($millions)	164.9	164.6	154.8 [5]	518.9
Earnings ($millions) [4]	6.2	5.6	10.5	31.7

- 1st quarter customer satisfaction was 87%.
- 1st quarter reliability performance was very good.
- Electricity sales and revenue were on plan.
- Earnings exceeded plan in the quarter.

1 Weather adjusted.
2 Peak demand for the 2007/2008 winter period occurred on January 22, 2008 at 5:45 p.m.
3 In millions of minutes, excluding Hydro related interruptions.
4 Earnings applicable to common shares.
5 Reflects reclassification of interest on customer accounts from finance charges to other revenue.

2 Customer Service

1st quarter customer service performance was mixed.

Customer Service Performance (%)	1st Quarter			Annual
	Actual 2008	Plan 2008	Actual 2007	Plan 2008
Customer Satisfaction	87	89	88	89
First Call Resolution [1]	88	87	86	87
Service Level [2]	82	80	80	80
Trouble Call Response [3]	86	85	89	85

[1] Percent of customer calls resolved on first contact.
[2] Percent of customer calls answered within 40 seconds.
[3] Percent of call response within two hours.

Customer satisfaction was 87% in the 1st quarter compared to plan of 89% and 88% during the 1st quarter of 2007.

First call resolution was better than plan during the 1st quarter and improved compared to the same period in 2007. Both call centre and trouble call response were above plan.

Customer Service Improvements

The Company external website was modified in the 1st quarter to simplify customer account log-in procedures.

Several Customer Service Specialists received the Leadership in Energy and Environmental Design (LEED) certification. LEED is a third party certification program and an accepted benchmark for the design, construction and operation of high performance green buildings. This certification provides the Customer Service Specialists with more information on energy efficiency specifically for General Service customers' premises. The Province, in its *Energy Plan*, has committed to utilizing this standard for new building construction.

Retail Rate Review

In accordance with the 2008 GRA Settlement Agreement, Newfoundland Power is conducting an evaluation of its existing rate designs and a review of alternative rate designs to determine their appropriateness for billing customers (the "Retail Rate Review"). In Order No. P.U. 32 (2007) (the "2008 General Rate Order"), the PUB ordered the Company to provide updates on the progress of the Retail Rate Review as part of its quarterly reporting.

The Company recently completed the Rate Design Report Study Plan. The Study Plan provided the marginal cost assumptions to be used in assessing alternative rates, the test year forecast for use in reconciling revenue from alternative rates to revenue requirement, and described the analysis methods to be used in evaluating current and alternative rate designs. The Study Plan has been circulated to the Consumer Advocate and Newfoundland and Labrador Hydro ("Hydro").

3 System Performance

1st quarter electrical system reliability performance was very good.

A. Reliability

The Company's electrical system reliability for the 1st quarter of 2008 was very good. Excluding Hydro related outages, each of the Company's total customer minutes of outage, SAIDI and SAIFI were the lowest for any 1st quarter on record.

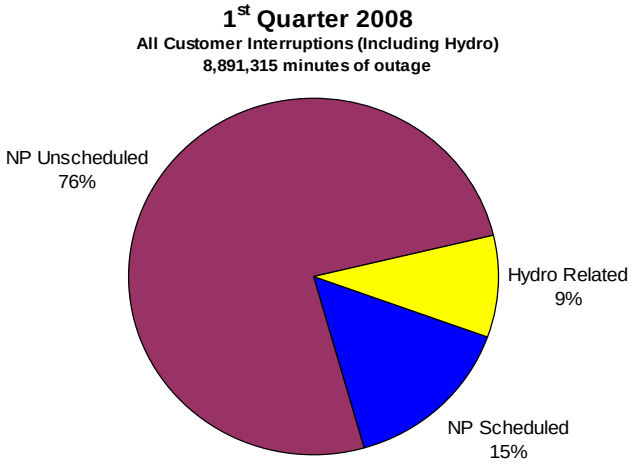
Overall electrical system reliability, including Hydro related outages, for the 1st quarter of 2008 was the best since the 1st quarter of 2001 when there were no Hydro related outages.

System Reliability [1]

	1st Quarter		Annual
	Actual 2008	Actual 2007	Plan 2008
Customer Minutes of Outage [2]	8.1	10.9	39.6
SAIDI (Outage hours per customer)	0.60	0.82	2.94
SAIFI (Outages per customer)	0.48	0.54	2.44

1 Excludes Hydro outages.
2 In millions of minutes.

The Company experienced a total of approximately 8.9 million minutes of customer outage in the 1st quarter of 2008.



The largest unplanned power interruptions in the 1st quarter were:

1. *February 16th to 17th:* Sleet build-up resulted in a downed primary phase on Ridge Road (RRD) 09. 1,625 customers in the Airport Heights area of St. John's experienced 800,287 customer minutes of outage.
2. *March 6th*: A broken cut-out on Gillams (GIL) 01 resulted in an outage in the areas of Meadows, Summerside and Irishtown on the North Shore of the Bay of Islands. 771 customers in the area experienced 287,238 customer minutes of outage.
3. *March 19th:* Sleet build-up resulted in a downed primary phase on Holyrood (HOL) 02. 474 customers in the Holyrood and Salmonier areas experienced 263,726 customer minutes of outage.

B. Electricity Supply

Electricity Supply	1st Quarter			Annual
	Actual 2008	Plan 2008	Actual 2007	Plan 2008
Energy Purchased (GWh)	1,685.2 [1]	1,710.7	1,638.3 [1]	5,099.9
Peak Demand (MW) [2, 3]	1,188.0	1,219.8	1,171.8	1,219.8
Hydro Plant Production (GWh)	134.5	115.7	106.2	425.8
Plant Availability (%)	98.3	95.0	98.0	95.0

[1] Not weather adjusted.
[2] Weather adjusted.
[3] Peak demand for the 2007/2008 winter period occurred on January 22, 2008 at 5:45 p.m.

Energy purchased was less than plan for the 1st quarter due to higher than plan production at Company hydro facilities and warmer weather than normal in the quarter.

Peak load management was implemented on 5 occasions during the winter period from December 1st, 2007 to March 31st, 2008. Peak demand occurred on January 22nd, 2008.

Hydro plant production was 18.8 GWh or 16% higher than plan for the 1st quarter. Hydro plant production was 28.3 GWh or 27% higher than production in the same period of 2007. The production for the quarter was higher than plan and previous year primarily due to higher than normal inflows. Total 1st quarter inflows were 137.9 GWh or 31.6 GWh higher than the normal inflow of 106.3 GWh.

Plant availability exceeded plan in the 1st quarter and improved slightly compared to the same period of 2007. There were 79 forced outages in the quarter. Seal Cove plant experienced 16 outages that were mainly attributable to a deteriorated communications cable which has since been repaired. A significant proportion of the remaining forced outages were due to freezing temperatures and related ice blockages at the plants.

4 Financial Matters

Earnings exceeded plan for the quarter.

Financial Highlights

	1st Quarter			Annual
	Actual 2008	Plan 2008	Actual 2007	Plan 2008
Revenue ($millions)	164.9	164.6	154.8 [1]	518.9
Purchased Power Costs ($millions)	122.5	122.6	106.1	337.2
Operating Costs ($millions) [2]	12.9	12.9	12.7	47.7
Earnings ($millions) [3]	6.2	5.6	10.5	31.7

[1] Reflects reclassification of interest on customer accounts from finance charges to other revenue.
[2] Excluding pension and early retirement program costs.
[3] Earnings applicable to common shares.

Financial Results

An average increase in customer rates of approximately 2.8% was implemented on January 1, 2008.

1st quarter revenue, purchased power costs and operating costs were all in line with plan.

Earnings for the 1st quarter were $0.6 million higher than plan. This was due to a combination of higher than expected electricity sales and lower than expected wholesale demand costs and finance charges.

International Financial Reporting Standards ("IFRS")

During the 1st quarter, the Canadian Accounting Standards Board confirmed its 2006 strategic plan to converge Canadian GAAP with IFRS over a 5-year transitional period. While the Company has started assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot reasonably be determined at this time.

5 Capital Program

Capital expenditures exceed plan for the quarter.

	2008 Capital Expenditures		
	1st Quarter		Annual
	Actual	Plan	Plan [1]
Total ($000s)	12,343	9,262	50,768

[1] Annual Plan includes carry forward projects from 2007 for the Rattling Brook Hydro Plant Refurbishment ($185,000) and the Kenmount Road building HVAC system ($579,000). Plan excludes $750,000 allowance for unforeseen items.

Customer driven work continued through the winter and engineering, design and procurement are progressing on large capital projects. Some of the larger capital projects planned for 2008 include:

- Protection and Controls upgrade at Cape Broyle hydroelectric plant,
- Turbine runner replacement at Heart's Content hydroelectric plant,
- Power transformer at Pierre's Brook substation,
- Substation rebuild at Botwood, and
- Rebuild of transmission line 111L on the Bonavista Peninsula.

The higher actual capital expenditures in the 1st quarter compared to plan reflects a number of forces. New residential connections are higher than plan for the 1st quarter and are expected to remain so for the remainder of the year. This will increase 2008 Distribution capital costs which include the cost of distribution transformers. In addition, increased steel and copper prices in the market are placing pressure on 2008 capital costs, particularly in the Distribution and Substation classes.

6 Productivity

1st quarter operating cost per customer was comparable to plan.

Productivity	1st Quarter			Annual
	Actual 2008	Plan 2008	Actual 2007	Plan 2008
Operating Cost per Customer ($)	58	58	58	213
Absenteeism (days per FTE)	2.3	1.4	2.1	5.7

Operating cost per customer is consistent with plan and 1st quarter of 2007.

Absenteeism in the 1st quarter was higher than plan.

Service Order Management

A new service order management electronic tracking system was implemented in the 1st quarter. Employees can now prioritize, schedule, print and dispatch service requests to field staff for completion in a more efficient manner. The new application will enhance the tracking of service orders.

Customer Service

A new customer service application was implemented in February that provides customers the ability to retrieve and print the previous calendar year's electricity costs. This is important for landlords and business owners during tax season. During the final 2 months of the quarter, 1,100 customers viewed and 500 customers printed their previous year's history. In prior years, contact centre agents completed all such requests manually.

7 Safety & Environment

Company receives WHSCC PRIME refund.

A. Safety

	Safety Performance		
	1st Quarter		Annual
	Actual 2008	Actual 2007	Plan 2008
Injury Frequency Rate [1]	3.6	3.5	1.9

[1] Injuries per 200,000 hours worked.

There were 2 lost time and 3 medical aid injuries in the 1st quarter compared to 1 lost time and 4 medical aid injuries in the same period of 2007. The total number of calendar days lost from the 5 injuries was 123 days compared to 4 days in 2007. There were 7 preventable vehicle accidents during the quarter compared to 6 preventable vehicles accidents in the 1st quarter of 2007.

PRIME Incentive - WHSCC

The Company received notification from the Workplace Health Safety and Compensation Commission (WHSCC) that a refund would be issued based on the Company's safety performance throughout the 2007 assessment year. The $22,000 refund was based on proactive initiatives to prevent injuries and tangible reduction in injury costs. The PRIME incentive provides a degree of external validation of the effectiveness of the Company's employee safety program.

Contractor Safety

A new website was launched in the 1st quarter for contractors working with Newfoundland Power. Contractors can use the site to gain access to Company policies, practices and training requirements, including safety and environmental requirements, to be followed in the course of doing business with Newfoundland Power. Should requirements change for any particular contractor, the site can easily be updated as required.

There was a serious incident involving a Company contractor in the 1st quarter. A contractor line construction crew broke through ice covering a bog while traveling on a muskeg in the Tors Cove area. The muskeg sank and filled with water. Of the 4 occupants, 3 were able to exit the machine through the vehicle doors while the driver had to get out through an escape hatch in the roof. None of the workers were injured. The Company is investigating the incident and has issued alerts to all contractors and Company crews that travel in off-road vehicles.

Public Safety

There was 1 reported incident involving the public during the 1st quarter. In the community of Conception Harbour, a tree was cut and fell across a distribution line. This resulted in a power interruption to six customers. There were no reported injuries as a result of the incident.

Electrical safety presentations were conducted for 1,350 students in 31 schools in the 1st quarter. A total of 135 volunteer firefighters attended safety seminars. At the request of the Royal Newfoundland Regiment, the Company gave 20 members an overview of the electrical power system and electrical safety in preparation for their power restoration efforts in Afghanistan.

The Company ran the *Make Every Ride a Safe One* and *You Could be on Thin Ice!* advertising campaigns through various media in the 1st quarter. These campaigns focused on the safe use of snowmobiles near power lines, substations, around water reservoirs and hydroelectric generating plants.

Safety Milestone

The Company's St. John's area achieved 1 year without a lost time injury on January 25th.

B. Environment

Safety Performance	1st Quarter		Annual
	Actual 2008	Actual 2007	Plan 2008
Number of Spills	13	8	56
Spills Greater than 50 ppm PCB [1]	1	0	2
Volume of Oil Spills (litres)	184	176	1050

[1] ppm is parts per million or mg/Kg.

The number of spills in the 1st quarter was higher than the same period of 2007; however, the volume of spills was comparable to the 1st quarter of 2007.

Environmental Management System

The Company decided not to extend the ISO 14001 registration of the Environmental Management System for generation. The current registration will expire in November 2008. The Company will remain compliant with the ISO 14001 Environmental Management System standard for all aspects of operations and will continue to have system and compliance audits completed by external third parties. These audits will ensure that Company operations continue to adhere to the ISO 14001 standards with respect to their potential impact on the environment.

8 Community

The Power of Life Project supported through employee organized fundraiser.

The Power of Life Project

The 4th annual family snowmobile run and dinner held by the Clarenville area employees raised approximately $6,000. Proceeds were equally shared between *The Power of Life Project* and the local Triple Bay Eagles Ground Search and Rescue Team.

The Company donated a blanket warmer and chemotherapy recliner to the G. B. Cross Memorial Hospital in Clarenville. The warmer and chair will help create a more comfortable environment for individuals who have to visit this hospital to receive chemotherapy treatment.

Fish Friends

The Company continued its partnership with the Atlantic Salmon Federation (ASF) *Fish Friends* program for the 11th consecutive year. The *Fish Friends* program, delivered to more than 70 schools in the province, educates students about the importance of caring for the environment through lessons on stewardship and freshwater ecology. In addition to providing an annual donation of $6,000, the Company's Environmental Coordinators assisted in delivering salmon eggs to the schools in March 2008. Since 1998, the Company has provided financial support to ASF through the *Fish Friends* program totalling over $66,000.

FINANCIAL STATEMENTS

NEWFOUNDLAND POWER INC.
BALANCE SHEETS
As At March 31
($000s)

	2008	2007 [1]
Capital Assets		
Property plant and equipment	1,181,386	1,131,204
Less: accumulated depreciation	431,374	413,564
	750,012	717,640
Current Assets		
Cash	941	240
Accounts receivable	87,518	80,929
Income tax receivable	876	3,377
Materials and supplies	5,663	5,790
Prepaid expenses	1,356	777
Regulatory assets	7,663	1,415
	104,017	92,528
Deferred Charges	90,995	83,228
Regulatory Assets	58,982	55,668
Customer Finance Plans	1,733	1,690
Total Assets	**1,005,739**	**950,754**
Shareholders' Equity		
Common shares	70,321	70,321
Retained earnings	288,757	273,832
Common shareholder's equity	359,078	344,153
Preference shares	9,352	9,353
	368,430	353,506
Current Liabilities		
Accounts payable and accrued charges	66,096	72,747
Current portion of long-term debt	57,550	35,720
Regulatory liabilities	8,418	1,903
	132,064	110,370
Future Income Taxes	251	-
Long-term Debt	406,022	392,245
Other Liabilities	39,648	32,782
Regulatory Liabilities	59,324	61,851
Total Shareholders' Equity and Liabilities	**1,005,739**	**950,754**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS
For The Periods Ended March 31
($000s)

	FIRST QUARTER			ANNUAL	
	Actual 2008	Plan 2008	Actual 2007 [1]	Plan 2008	Actual 2007 [1]
Revenue	164,920	164,614	154,803	518,920	491,709
Purchased Power	122,474	122,615	106,068	337,159	326,778
Contribution	42,446	41,999	48,735	181,761	164,931
Operating Expenses	12,942	12,861	12,708	47,700	47,501
Pension Costs	505	539	1,083	2,220	4,439
Early Retirement Program Costs	282	282	416	1,128	1,262
Depreciation	9,276	9,248	12,002	40,208	39,955
Regulatory Deferral	891	888	(1,731)	3,862	(5,793)
Finance Charges	8,520	8,744	8,687	34,772	34,939
Income Before Income Taxes	10,030	9,437	15,570	51,871	42,628
Income Taxes	3,691	3,652	4,889	19,568	12,176
Net Earnings	6,339	5,785	10,681	32,303	30,452
Dividends on Preference Shares	114	146	146	586	586
Earnings Applicable to Common Shares	**6,225**	**5,639**	**10,535**	**31,717**	**29,866**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF RETAINED EARNINGS
For The Periods Ended March 31
($000s)

	2008	2007
Balance, Beginning of the Period	286,350	265,566
Net Earnings	6,339	10,681
Dividends		
Preference Shares	(114)	(146)
Common Shares	(3,818)	(2,269)
Balance, End of the Period	**288,757**	**273,832**

NEWFOUNDLAND POWER INC.
STATEMENTS OF CASHFLOWS
For The Periods Ended March 31
($000s)

	2008	2007 [1]
Cash From (Used In) Operating Activities		
Net earnings	6,339	10,681
Items not affecting cash:		
Amortization of capital assets	9,276	12,002
Amortization of deferred charges	75	79
Change in regulatory assets amd liabilities	1,014	(6,091)
Future income taxes	251	-
Accrued employee future benefits	(2,293)	(2,088)
Change in non-cash working capital	(18,339)	(15,687)
	(3,677)	(1,104)
Cash From (Used In) Investing Activities		
Capital expenditures (net of salvage)	(12,885)	(12,466)
Long-term portion of finance programs	78	38
Contributions from customers and security deposits	290	444
	(12,517)	(11,984)
Cash From (Used In) Financing Activities		
Change in short-term borrowings	-	(320)
Proceeds from long-term debt	20,000	16,463
Dividends		
Preference shares	(114)	(146)
Common shares	(3,818)	(2,269)
	16,068	13,728
Change in Cash	(126)	640
Cash (Bank Indebtedness), Beginning of the Period	1,067	(400)
Cash, End of the Period	**941**	**240**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

APPENDICES

NEWFOUNDLAND POWER INC.
ELECTRICITY STATISTICS
For The Periods Ended March 31

	FIRST QUARTER		ANNUAL
	2008	**2007**	**2007**
Sales (GWh)			
Actual	1,707.8	1,636.6	5,070.3
Weather adjusted	1,716.2	1,663.2	5,092.8
Plan [1]	1,714.3		
Produced & Purchased (GWh)			
Actual	1,819.7	1,744.6	5,370.6
Weather adjusted	1,828.5	1,772.7	5,394.5
Plan [1]	1,826.4		
Hydro Production (GWh)			
Actual	134.5	106.2	379.5

[1] Based on Customer and Energy Sales Forecast dated August 31, 2007.

NEWFOUNDLAND POWER INC.
STATEMENTS OF ELECTRICITY SOLD (GWh)
For The Periods Ended March 31

WEATHER ADJUSTED

	FIRST QUARTER			ANNUAL	
BY SALES CATEGORY	**Actual 2008**	**Plan 2008**	**Actual 2007**	**Plan 2008**	**Actual 2007**
Residential	1,100.6	1,100.2	1,064.2	3,130.8	3,044.4
Commercial					
0-10 kW	28.3	29.7	28.5	95.8	90.9
10-100 kW	205.7	205.2	197.6	647.4	629.2
110-1000 kVA	263.5	261.0	258.8	875.3	864.5
1000 kVA and Over	107.9	108.1	104.0	429.6	427.6
Total Commercial	605.4	604.0	588.9	2,048.1	2,012.2
Street Lighting	10.2	10.1	10.1	36.2	36.2
Total Calendar Basis Sales	**1,716.2**	**1,714.3**	**1,663.2**	**5,215.1**	**5,092.8**
BY REGION					
Eastern [1]	1,208.4	1,209.9	1,174.2	3,681.3	3,590.9
Western [2]	507.8	504.4	489.0	1,533.8	1,501.9
Total	**1,716.2**	**1,714.3**	**1,663.2**	**5,215.1**	**5,092.8**

[1] Eastern Region includes the St. John's, Avalon, Burin and Clarenville operating areas.

[2] Western Region includes the Gander, Grand Falls - Windsor, Corner Brook and Stephenville operating areas.

NEWFOUNDLAND POWER INC.
STATEMENTS OF REVENUE
For The Periods Ended March 31
($000s)

WEATHER ADJUSTED

	FIRST QUARTER			ANNUAL	
BY SALES CATEGORY	**Actual 2008**	**Plan [1] 2008**	**Actual 2007**	**Plan [1] 2008**	**Actual 2007**
Residential	102,896	102,863	95,738	303,191	284,113
Commercial					
0-10 kW	3,573	3,723	3,594	12,452	12,043
10-100 kW	19,728	19,532	18,764	63,201	62,237
110-1000 kVA	21,801	21,585	20,792	73,188	70,946
1000 kVA and Over	7,925	7,874	7,317	30,782	29,880
Total Commercial	53,027	52,714	50,467	179,623	175,106
Street Lighting	3,180	3,154	3,046	12,642	12,214
Forfeited Discounts	940	931	945	2,770	2,621
Revenue From Rates	**160,043**	**159,662**	**150,196**	**498,226**	**474,054**
Energy Supply Cost Variance [2]	69	-	-	-	-
RSA Shortfall [3]	-	-	1,085	-	3,044
2008 Income Tax True-up [4]	(224)	-	-	-	-
Amortizations [5]					
2005 Income Tax Settlement	596	596	811	2,592	2,714
2005 Unbilled Remaining Balance	1,067	1,063	-	4,618	-
Total Reported Revenue	161,551	161,321	152,092	**505,436**	**479,812**
Other Revenue [6]	3,369	3,293	2,711	13,484	11,897
Total Operating Revenue	**164,920**	**164,614**	**154,803**	**518,920**	**491,709**

[1] Based on sales forecast dated August 31, 2007 and rates effective January 1, 2008 as approved by Order No. P.U. 32(2007).

[2] Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).

[3] Adjustment to Revenue to reflect matching of revenue and purchase power expense resulting from Hydro's January 1, 2007 rate change approved in Order No. P.U. 42(2006).

[4] Reduction in revenue for the 1st Quarter 2008 to reflect the 2008 Test Year Income Tax True-up as filed in the Company's application on February 29, 2008.

[5] Revenue amortizations as approved in Order No. P.U. 39(2006) & Order No. P.U. 32(2007).

[6] Restated to reflect the reclassification of interest income from Finance Charges to Other Revenue.

NEWFOUNDLAND POWER INC.
SUMMARY OF WEATHER ADJUSTMENTS
For The Periods Ended March 31
($000s)

	FIRST QUARTER			ANNUAL	
REVENUE FROM ELECTRICITY SALES	**Actual 2008**	**Plan [1] 2008**	**Actual 2007**	**Plan [1] 2008**	**Actual 2007**
Actual	159,367	159,662	148,153	498,226	472,233
Degree Day & Wind Adjustment	676	-	2,043	-	1,821
Weather Adjusted	**160,043**	**159,662**	**150,196**	**498,226**	**474,054**
Energy Supply Cost Variance [2]	69	-	-	-	-
2007 RSA Shortfall [3]	-	-	1,085	-	3,044
2008 Income Tax True-up [4]	(224)	-	-	-	-
Amortizations [5]					
2005 Income Tax Settlement	596	596	811	2,592	2,714
2005 Unbilled Remaining Balance	1,067	1,063	-	4,618	-
Total Reported Revenue	**161,551**	**161,321**	**152,092**	**505,436**	**479,812**
PURCHASED POWER EXPENSE					
Actual	119,583	122,158	115,458	335,173	324,247
Degree Day & Wind Adjustment	776	-	2,475	-	2,101
Hydro Equalization Adjustment	1,651	-	(704)	-	11
Purchased Power Weather Adjusted	**122,010**	**122,158**	**117,229**	**335,173**	**326,359**
Rattling Brook Deferral 2007 [6]	-	-	-	-	(1,795)
PPUCVR 2007 Timing Adjustment	-	-	(11,679)	-	-
PPUCVR 2007 [7]	-	-	-	-	482
Demand Management Incentive Account [8]	-	-	-	-	-
Amortizations [9]					
Replacement Energy Costs (Rattling Brook)	138	138	-	598	-
PPUCVR Balance at Dec 31, 2006	(159)	(159)	-	(688)	-
Weather Normalization Reserve	485	478	-	2,076	-
Hydro Production Reserve 2007 [10]	-	-	518	-	1,732
Weather Adjusted	**122,474**	**122,615**	**106,068**	**337,159**	**326,778**

[1] Based on 2008 GRA sales forecast dated August 31, 2007 and rates effective January 1, 2008 as approved by Order No. P.U. 32(2007).

[2] Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).

[3] Adjustment to Revenue to reflect matching of revenue and purchase power expense resulting from Hydro's January 1, 2007 rate change approved in Order No. P.U. 42(2006).

[4] Reduction in revenue for the 1st Quarter 2008 to reflect the 2008 Test Year Income Tax True-up as filed in the Company's application on February 29, 2008.

[5] Revenue amortizations as approved in Order No. P.U. 39(2006) & Order No. P.U. 32(2007).

[6] Deferral of Replacement Energy Costs (Rattling Brook) as approved in Order No. P.U. 39(2006).

[7] PPUCVR as approved in Order No. P.U. 44(2004).

[8] Demand Management Incentive Account as approved in Order No. P.U. 32(2007).

[9] Amortizations for 2008 as approved in Order No. P.U. 32(2007).

[10] As approved in Order No. P.U. 19(2003).

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS - DETAIL
For The Periods Ended March 31
($000s)

	FIRST QUARTER			ANNUAL	
	Actual 2008	**Plan 2008**	**Actual 2007** [1]	**Plan 2008**	**Actual 2007** [1]
Other Revenue					
Joint Use Revenue					
Aliant	1,696	1,701	1,659	6,970	6,782
CATV	470	522	451	2,090	1,786
Total Joint Use Revenue	2,166	2,223	2,110	9,060	8,568
Miscellaneous					
Customer Jobbing	114	108	(27)	529	732
Rental Income	10	-	-	-	19
Municipal Tax Liability [2]	314	313	-	1,362	-
Interest - Customer Accounts	380	341	372	1,200	1,477
Interest - RSA	37	-	21	-	(58)
Interest - CIAC	26	15	20	60	90
Interest - Other	35	33	39	132	146
Reconnections	8	13	1	119	71
NSF Cheque Charges	11	14	6	54	19
Wheeling Charges	156	149	123	567	490
Miscellaneous	61	37	(2)	150	84
Service Connection Fees	51	47	49	251	259
Total Miscellaneous	1,203	1,070	602	4,424	3,329
Total Other Revenue	**3,369**	**3,293**	**2,712**	**13,484**	**11,897**
Finance Charges [3]					
Interest on Long-term Debt	8,106	8,106	8,110	32,334	33,718
Interest on Long-term Committed Credit Facility	379	594	481	2,481	1,437
Interest on Short-term Uncommitted Demand Facility	1	0	24	0	38
Amortization of Deferred Debt Issue Costs	59	45	63	178	256
Amortization of Capital Stock Issue Expenses	16	15	16	62	62
Interest on Security Deposits	12	-	12	-	50
Allowance For Funds Used During Construction (AFUDC)	(53)	(16)	(19)	(283)	(622)
Total Finance Charges	**8,520**	**8,744**	**8,687**	**34,772**	**34,939**

[1] Certain comparative figures have been reclassified to conform with current year presentation
[2] Amortization of the Municipal Tax Liability as approved in Order No. P.U. 32(2007).
[3] Interest Income has been reclassified as Other Revenue for 2008 and 2007 comparative purposes

NEWFOUNDLAND POWER INC.
CUSTOMER AND EMPLOYEE STATISTICS
As At March 31

	FIRST QUARTER		ANNUAL	
	Actual 2008	**Actual 2007**	**Plan 2008**	**Actual 2007**
Customers	233,236	230,135	234,510	232,262
Employees [1]				
Regular	547	553	555	555
Temporary	65	67	71	72
Total	612	620	626	627

[1] Refers to full time equivalents.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY AREA
For The Periods Ended March 31

	SAIFI					SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR	QUARTER		12 MONTH TO DATE		5 YEAR
	2008	2007	2008	2007	TO DATE	2008	2007	2008	2007	TO DATE
AREA	#	#	#	#	# / YEAR	HOURS	HOURS	HOURS	HOURS	HRS. / YEAR
St. John's	0.73	0.68	3.03	1.65	2.67	0.73	0.71	3.47	1.68	2.61
Avalon	0.44	0.91	2.53	2.10	2.56	0.61	0.97	3.93	2.66	3.62
Burin	0.73	0.82	3.88	3.99	5.14	1.39	0.72	3.62	4.15	4.87
Bonavista	1.13	0.22	6.73	5.95	5.54	0.92	1.49	41.10	6.95	12.91
Gander	0.22	0.97	2.32	3.98	4.82	0.38	1.21	5.73	4.48	6.82
Grand Falls	0.32	0.41	2.11	3.69	3.00	0.23	0.72	2.36	3.07	4.62
Corner Brook	0.57	0.44	4.09	2.61	2.42	0.41	0.29	4.44	1.48	2.68
Stephenville	1.12	1.46	3.35	4.82	4.55	0.80	1.29	3.65	3.47	5.20
Company Totals	**0.65**	**0.72**	**3.23**	**2.79**	**3.28**	**0.66**	**0.85**	**6.27**	**2.76**	**4.27**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended March 31

ORIGIN	SAIFI				
	QUARTER		12 MONTH TO DATE		5 YEAR TO DATE # / YEAR
	2008 #	2007 #	2008 #	2007 #	
Loss of Supply (NF Hydro)	0.17	0.19	0.82	0.35	0.65
Transmission	0.07	0.03	0.80	0.80	0.90
Distribution	0.41	0.50	1.61	1.64	1.73
Company Totals	**0.65**	**0.72**	**3.23**	**2.79**	**3.28**

System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended March 31

ORIGIN	SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR TO DATE HRS. / YEAR
	2008 HOURS	2007 HOURS	2008 HOURS	2007 HOURS	
Loss of Supply (NF Hydro)	0.06	0.03	0.56	0.06	0.31
Transmission	0.03	0.02	0.79	0.47	0.89
Distribution	0.57	0.80	4.92	2.23	3.07
Company Totals	**0.66**	**0.85**	**6.27**	**2.76**	**4.27**

System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BREAKDOWN REPORT
First Quarter 2008

AREA	SCHEDULED		UNSCHEDULED		TOTAL	
	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS
St. John's	0.01	0.02	0.72	0.71	0.73	0.73
Avalon	0.14	0.14	0.30	0.47	0.44	0.61
Burin	0.16	0.17	0.57	1.22	0.73	1.39
Bonavista	0.67	0.52	0.46	0.40	1.13	0.92
Gander	0.09	0.13	0.13	0.25	0.22	0.38
Grand Falls	0.09	0.03	0.23	0.20	0.32	0.23
Corner Brook	0.07	0.08	0.50	0.33	0.57	0.41
Stephenville	0.10	0.14	1.02	0.66	1.12	0.80
Company Totals	**0.11**	**0.10**	**0.54**	**0.56**	**0.65**	**0.66**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.

CAPITAL EXPENDITURE PROGRESS REPORT

For the Period Ended March 31, 2008

Introduction

The Capital Expenditure Progress Report summarizes the capital expenditures of the various capital accounts of the Company and lists any new lease obligations in excess of $5,000 per year.

The report is divided into three sections as follows:

1. The Budget section outlines the annual capital expenditure budget approved by the Public Utilities Board for the current year.

2. The Expenditure section outlines actual capital expenditures for the current quarter and indicates the portion of the annual capital budget remaining to be expended (difference between annual budget and current quarter actual).

3. The Leasing Arrangement section includes a brief description of the item being leased, the leasing period, and the annual and quarterly leasing costs.

NEWFOUNDLAND POWER INC.
CAPITAL EXPENDITURE PROGRESS REPORT
For the Period Ended March 31, 2008
($000s)

	BUDGET	EXPENDITURE [1]	
	Approved by Order No. P.U. 27(2007)	First Quarter	Unexpended Balance
Generation Hydro	3,385	220	3,165
Generation Thermal	100	-	100
Substations	5,276	1,178	4,098
Transmission	4,890	350	4,540
Distribution	26,636	8,839	17,797
General Property	977	56	921
Transportation	2,214	238	1,976
Telecommunications	224	17	207
Information Systems	3,502	622	2,880
Unforeseen Items	750	-	750
General Expenses Capital	2,800	688	2,112
TOTAL	50,754	12,208	38,546

Leasing Arrangements Entered Into

Brief description	Period	Annual Cost	Quarterly payments
	There were no lease obligations in excess of $5,000 annually entered into during the first quarter of 2008.		

[1] Excludes capital expenditures of approximately $134,000 related to prior years capital projects carried into 2008.

NEWFOUNDLAND POWER INC.

INTER-COMPANY TRANSACTIONS REPORT

For the Period Ended March 31, 2008

Introduction

The Inter-Company Transactions Report summarizes transactions between the Company and related corporations on a quarterly and year-to-date basis. The report itemizes the charges by type and distinguishes between regulated and non-regulated charges. The report also documents any contracts, agreements or loans between Newfoundland Power and any related corporation that were signed in the current quarter.

The report is divided into four sections as follows:

1. The first section aggregates charges from all related corporations and presents a summary, by charge type, for the current quarter and the same period last year, as well as comparable annual charges for the previous year.

2. The second section breaks down the charges ***from*** each individual related corporation and presents an itemized quarterly summary for the current year and the same period last year, as well as comparable annual charges for the previous year.

3. The third section breaks down the charges ***to*** each individual related corporation and presents an itemized quarterly summary for the current year and the same period last year, as well as comparable annual charges for the previous year.

4. The fourth section lists any contracts or agreements that were signed between the Company and any related corporation as well as any loans with related corporations. Loan information provided includes the amount of the loan, the date of borrowing and date of repayment, the interest rate, and total interest paid.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Summary of Charges
For The Period Ended March 31, 2008

Charges from Associated Companies

Regulated Charges	First Quarter 2008	First Quarter 2007	Annual 2007
Listing & Filing Fees	$ -	$ 17,748	$ 17,748
Trustee & Share Plan Costs	8,000	12,190	87,322
Hotel/Banquet Facilities	-	1,879	38,797
Staff Charges	8,340	-	-
Miscellaneous	28,750	3,343	146,177
Sub-total	$ 45,090	$ 35,160	$ 290,044

Non-Regulated Charges	First Quarter 2008	First Quarter 2007	Annual 2007
Listing & Filing Fees	$ -	$ 4,337	$ 37,463
Trustee & Share Plan Costs	-	-	9,816
Directors' Fees & Travel	56,000	34,467	158,259
Annual & Quarterly Reports	31,000	30,283	152,249
Hotel/Banquet Facilities	-	1,356	1,356
Staff Charges	24,000	-	-
Miscellaneous	47,000	12,297	383,085
Sub-total	$ 158,000	$ 82,740	$ 742,228
TOTAL	$ 203,090	$ 117,900	$ 1,032,272

Charges to Associated Companies

	First Quarter 2008	First Quarter 2007	Annual 2007
Printing & Stationery	$ 411	$ 1,399	$ 5,066
Postage	5,422	5,129	20,273
Staff Charges	121,748	275,488	894,468
Staff Charges - Insurance	49,557	55,133	201,731
IS Charges	-	4,931	27,251
Pole Installations	3,470	4,302	24,911
Miscellaneous	4,634	8,872	70,197
TOTAL	$ 185,242	$ 355,254	$ 1,243,897

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended March 31, 2008

	First Quarter 2008			First Quarter 2007			Annual 2007		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.									
Listing & Filing Fees	$ -	$ -	$ -	$ 17,748	$ 4,337	$ 22,085	$ 17,748	$ 37,463	$ 55,211
Directors' Fees & Travel	-	56,000	56,000	-	34,467	34,467	-	158,259	158,259
Annual & Quarterly Reports	-	31,000	31,000	-	30,283	30,283	-	152,249	152,249
Trustee & Share Plan Costs	8,000	-	8,000	12,190	-	12,190	87,322	9,816	97,138
Staff Charges	-	24,000	24,000	-	-	-	-	-	-
Miscellaneous	12,134	47,000	59,134	-	12,297	12,297	94,261	382,585	476,846
Total	$ 20,134	$ 158,000	$ 178,134	$ 29,938	$ 81,384	$ 111,322	$ 199,331	$ 740,372	$ 939,703
Fortis Properties Corporation									
Staff Charges	$ 8,340	$ -	$ 8,340	$ -	$ -	$ -	$ -	$ -	$ -
Hotel/Banquet Facilities	-	-	-	1,879	1,356	3,235	38,797	1,356	40,153
Miscellaneous	5,569	-	5,569	-	-	-	32,325	500	32,825
Total	$ 13,909	$ -	$ 13,909	$ 1,879	$ 1,356	$ 3,235	$ 71,122	$ 1,856	$ 72,978
FortisOntario Inc.									
Miscellaneous	$ 5,972	$ -	$ 5,972	$ 2,985	$ -	$ 2,985	$ 5,880	$ -	$ 5,880
Total	$ 5,972	$ -	$ 5,972	$ 2,985	$ -	$ 2,985	$ 5,880	$ -	$ 5,880
FortisAlberta Inc.									
Miscellaneous	$ -	$ -	$ -	$ 358	$ -	$ 358	$ 1,052	$ -	$ 1,052
Total	$ -	$ -	$ -	$ 358	$ -	$ 358	$ 1,052	$ -	$ 1,052
FortisBC Inc.									
Miscellaneous	$ 5,075	$ -	$ 5,075	$ -	$ -	$ -	$ 12,659	$ -	$ 12,659
Total	$ 5,075	$ -	$ 5,075	$ -	$ -	$ -	$ 12,659	$ -	$ 12,659

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended March 31, 2008

	First Quarter 2008	First Quarter 2007	Annual 2007
Fortis Inc.			
Printing & Stationery	$ 55	$ 329	$ 456
Postage	5,422	5,129	20,273
Staff Charges	68,690	168,941	606,758
Staff Charges - Insurance	37,363	48,122	167,629
IS Charges	-	-	277
Pole Installations	3,470	4,302	24,911
Miscellaneous	2,203	1,082	6,744
Total	$ 117,203	$ 227,905	$ 827,048
Fortis Properties Corporation			
Printing & Stationery	$ 356	$ 1,070	$ 4,610
Staff Charges	-	-	174
Staff Charges - Insurance	2,878	1,991	10,630
IS Charges	-	-	4,432
Miscellaneous	1,280	-	2,457
Total	$ 4,514	$ 3,061	$ 22,303
Maritime Electric Company, Limited			
Staff Charges	$ 2,170	$ -	$ 2,791
Staff Charges - Insurance	51	24	1,490
IS Charges	-	-	2,674
Miscellaneous	81	-	850
Total	$ 2,302	$ 24	$ 7,805
FortisOntario Inc.			
Staff Charges	$ -	$ 126	$ 126
Staff Charges - Insurance	459	243	1,791
IS Charges	-	-	2,424
Miscellaneous	-	-	850
Total	$ 459	$ 369	$ 5,191

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended March 31, 2008

	First Quarter 2008	First Quarter 2007	Annual 2007
Belize Electricity Limited			
Staff Charges	$ 8,072	$ 56,836	$ 128,888
Staff Charges - Insurance	395	621	6,410
IS Charges	-	4,931	9,134
Miscellaneous	421	7,427	28,273
Total	$ 8,888	$ 69,815	$ 172,705
Fortis US Energy Corporation			
Staff Charges - Insurance	$ -	$ 278	$ 939
Total	$ -	$ 278	$ 939
Belize Electric Company Limited			
Staff Charges	$ 31,847	$ -	$ 35,843
Staff Charges - Insurance	592	1,798	7,215
Total	$ 32,439	$ 1,798	$ 43,058
CNE Energy Inc.			
Staff Charges - Insurance	$ -	$ 107	$ 107
Total	$ -	$ 107	$ 107
FortisAlberta Inc.			
Staff Charges	$ 10,969	$ 15,609	$ 38,047
Staff Charges - Insurance	3,545	644	1,041
Miscellaneous	487	363	28,103
Total	$ 15,001	$ 16,616	$ 67,191
FortisBC Inc.			
Staff Charges	$ -	$ 33,976	$ 81,841
Staff Charges - Insurance	4,274	1,305	4,479
IS Charges	-	-	8,310
Miscellaneous	162	-	2,920
Total	$ 4,436	$ 35,281	$ 97,550

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Agreements With Associated Companies
For the Period Ended March 31, 2008

No loans or agreements with related companies were entered into during the quarter ending March 31, 2008.

NEWFOUNDLAND POWER INC.

CUSTOMER PROPERTY DAMAGE CLAIMS REPORT

For the Quarter Ending March 31, 2008

Introduction

The Customer Property Damage Claims Report contains an overview of all damage claims activity summarized on a quarterly basis. The information contained in the report is broken down by cause as well as by the operating region where the claims originated.

The report is divided into four sections as follows:

1. The first section indicates the number of claims received during the quarter coupled with claims outstanding from the previous quarter.

2. The second section shows the number of claims for which the Company has accepted responsibility and the amount paid to claimants versus the amount originally claimed.

3. The third section shows the number of claims rejected and the dollar value associated with those claims.

4. The fourth section indicates those claims that remain outstanding at the end of the current quarter and the dollar value associated with such claims.

Overview - First Quarter

The total number of damage claims received during the first quarter of 2008 is on par with the number of claims received during the same period in 2007. Overall, there was an increase in the number of claims categorized as Equipment Failure while claims relating to Miscellaneous were lower.

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Cause

For the Quarter Ending March 31, 2008

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	3	1	4	1	$ 112	$ 112	-	$ -	3	$ 670
Power Interruptions	1	-	1	1	50	50	-	-	-	-
Improper Workmanship	4	4	8	6	9,074	8,394	-	-	2	18,796
Weather Related	-	2	2	2	4,285	4,285	-	-	-	-
Equipment Failure	43	6	49	34	53,831	31,350	-	-	15	15,350
Third Party	-	-	-	-	-	-	-	-	-	-
Miscellaneous	6	2	8	6	41,405	21,405	-	-	2	14,500
Total	**57**	**15**	**72**	**50**	**$ 108,757**	**$ 65,596**	**-**	**$ -**	**22**	**$ 49,316**

For the Quarter Ending March 31, 2007

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	-	-	-	-	$ -	$ -	-	$ -	-	$ -
Power Interruptions	-	-	-	-	-	-	-	-	-	-
Improper Workmanship	4	2	6	6	7,799	6,789	-	-	-	-
Weather Related	3	-	3	3	3,429	3,429	-	-	-	-
Equipment Failure	31	7	38	32	22,317	18,878	1	1,500	5	8,500
Third Party	1	-	1	1	752	752	-	-	-	-
Miscellaneous	16	4	20	18	15,129	12,927	-	-	2	3,400
Total	**55**	**13**	**68**	**60**	**$ 49,426**	**$ 42,775**	**1**	**$ 1,500**	**7**	**$ 11,900**

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Region

For the Quarter Ending March 31, 2008

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	46	12	58	39	$ 103,127	$ 60,668	-	$ -	19	$ 45,416
Western Region	11	3	14	11	5,630	4,928	-	-	3	3,900
Total	**57**	**15**	**72**	**50**	**$ 108,757**	**$ 65,596**	**-**	**$ -**	**22**	**$ 49,316**

For the Quarter Ending March 31, 2007

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	43	7	50	43	$ 37,616	$ 31,215	1	$ 1,500	6	$ 11,100
Western Region	12	6	18	17	11,810	11,560	-	-	1	800
Total	**55**	**13**	**68**	**60**	**$ 49,426**	**$ 42,775**	**1**	**$ 1,500**	**7**	**$ 11,900**

Definitions of Causes of Damage Claims

1. **System Operations:** Claims arising from system operations. Examples include normal reclosing or switching.

2. **Power Interruptions:** Claims arising from interruption of power supply. Examples include all scheduled or unscheduled interruptions.

3. **Improper Workmanship:** Claims arising from failure of electrical equipment caused by improper workmanship or methods. Examples include improper crimping of connections, insufficient sealing and taping of connections, improper maintenance, inadequate clearance, or improper operation of equipment.

4. **Weather Related:** Claims arising from weather conditions. Examples include wind, rain, ice, lightning, or corrosion caused by weather.

5. **Equipment Failure:** Claims arising from failure of electrical equipment not caused by improper workmanship. Examples include broken neutrals, broken tie wires, transformer failure, insulator failure or broken service wire.

6. **Third Party:** Claims arising from equipment failure caused by acts of third parties. Examples include motor vehicle accidents and vandalism.

7. **Miscellaneous:** All claims not related to electrical service.

NEWFOUNDLAND POWER INC.

CONTRIBUTION IN AID OF CONSTRUCTION
QUARTERLY ACTIVITY REPORT

For the Period Ended March 31, 2008

The table below summarizes Contribution In Aid of Construction (CIAC) activity for the first quarter of 2008. The table is divided into three sections. The first section identifies the type of service for which a CIAC has been calculated. Services are categorized as Domestic (located within a Residential Planning Area), Domestic (located outside a Residential Planning Area) or General Service.

The second section indicates the number of CIACs quoted during the quarter as well as the number of CIAC quotes that remained outstanding at the end of the previous quarter. This format facilitates a reconciliation of the total number of CIACs that were active during the quarter.

The third section provides information as to the disposition of the total CIACs quoted. A CIAC is considered Accepted when a customer indicates they wish to proceed with construction of the extension and has agreed to pay any charge that may be applicable. A CIAC is considered Outdated after six months has elapsed and the customer has not indicated their intention to proceed with the extension. A quoted CIAC is Outstanding if it is neither Accepted nor Outdated.

Type of Service	CIACs Quoted	CIACs Outstanding Previous Qtr.	Total CIACs Quoted	CIACs Accepted	CIACs Outdated	Total CIACs Outstanding
Domestic						
- Within Planning Area	13	5	18	10	0	8
- Outside Planning Area	17	42	59	16	24	19
	30	47	77	26	24	27
General Service	6	16	22	9	4	9
Total	36	63	99	35	28	36

The tables on Page 2 and 3 of the report provide specific information for the 36 CIACs quoted to customers during the period January 1, 2008 to March 31, 2008. Both the CIAC amounts quoted and the Estimated Construction Costs exclude HST.

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
First Quarter 2008

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (within Residential Planning Area)						
26/Mar/08	Best, Harvey	Lumsden	2008-41-108	48,900.00	78,950.00	
24/Jan/08	Coates, Robert Jr.	Appleton	2008-41-101	29,120.00	31,245.00	
17/Mar/08	Duff, Gordon	Whiteway	2008-20-112	3,542.50	5,667.50	
19/Mar/08	Gorman, Patrick	Avondale	2008-20-111	925.00	3,050.00	Yes
04/Jan/08	Hynes, John	Heart's Content	2007-20-215	6,525.00	8,650.00	
04/Mar/08	Lawlor, Rodney	Conception Bay South	2008-10-104	2,700.00	7,700.00	Yes
09/Jan/08	Lee, Brendan	Goulds	2007-10-145	3,250.00	5,750.00	Yes
13/Feb/08	Lewis, Jennifer	Chapels Cove	2008-20-101	2,875.00	5,300.00	Yes
13/Feb/08	Noseworthy, Kenneth	Holyrood	2008-20-105	924.75	3,049.75	Yes
15/Jan/08	Ralph, Dean	Traytown	2008-41-100	1,540.00	3,665.00	Yes
24/Mar/08	Remo, Scott	Humber Valley Resort	2008-50-107	925.00	3,425.00	
24/Jan/08	Stead, Karen	Sandringham	2008-41-102	375.00	2,500.00	Yes
21/Jan/08	Tucker, Heather	Holyrood	2008-20-100	2,686.00	4,811.00	Yes
DOMESTIC (outside Residential Planning Area)						
21/Feb/08	Blackmore, Chris	Bay d'Espoir Road	2008-40-103	28,200.00	28,825.00	
25/Feb/08	Butt, Brian	Badger Lake Cottage Area	2008-40-104	1,952.72	2,577.72	Yes
07/Mar/08	Charles, Anonsen	Whalen's Pond/Ryan's Pond Cottage Area	2008-20-108	2,862.30	3,487.30	Yes
21/Jan/08	Currie, Angela	Beachy Cove Road Cottage Area	2007-10-126	3,372.00	3,997.00	
30/Jan/08	Delaney, Donald	Codroy Valley	2008-51-101	3,455.00	4,080.00	
24/Jan/08	Devereaux, Angela	Smith's Pond Cottage Area	2007-41-120	132,050.00	143,300.00	
15/Feb/08	Diamond, Rodney	Terra Nova	2008-41-105	1,877.84	2,502.84	
13/Feb/08	Fleming, Robert	Whalen's Pond/Ryan's Pond Cottage Area	2008-20-104	2,862.30	3,487.30	Yes
17/Mar/08	March, Brian	Ocean Pond	2008-20-113	1,625.00	2,550.00	Yes

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
First Quarter 2008

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (outside Residential Planning Area)						
13/Feb/08	McCarthy, Brenda	Whalen's Pond/Ryan's Pond Cottage Area	2008-20-103	2,862.30	3,487.30	Yes
07/Feb/08	Patey, Edward	Doyles	2008-51-102	4,062.00	4,687.00	
22/Jan/08	Randell, Dolly	Lewisporte	2008-40-101	3,625.00	4,250.00	
14/Feb/08	Rowbottom, Gordon	Big Eel Lake Cottage Area	2008-40-102	101,778.00	114,278.00	
03/Jan/08	Stratton, James	Greenspond	2007-41-121	1,075.00	1,700.00	Yes
31/Mar/08	Thorne, Patricia	Spread Eagle Cottage Area	2008-20-115	2,875.00	3,500.00	
10/Mar/08	Tucker, Ray	Terra Nova Lake Cottage Area	2008-41-107	330,500.00	378,000.00	
27/Mar/08	Whalen, William	Tors Cove	2008-10-106	4,200.00	4,825.00	
General Service						
12/Mar/08	Allens Fisheries	Benoits Cove (retail outlet)	2008-50-105	1,897.55	4,500.00	Yes
20/Mar/08	Canadian Coast Guard	St. Lawrence (communications site)	2008-31-100	7,194.00	13,650.00	
07/Jan/08	Deep Cove Marina	Musgravetown (marina)	2008-30-100	1,500.00	3,625.00	Yes
21/Feb/08	Dept of Fisheries & Oceans	Gambo (office/storage building)	2008-41-106	10,125.00	12,250.00	
04/Feb/08	Persona Communications Inc	Greenspond (communication tower)	2008-41-104	1,200.00	3,325.00	Yes
03/Jan/08	Town of Comfort Cv/Newstead	Comfort Cove/Newstead (water reservoir)	2007-40-138	4,030.00	6,155.00	Yes

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
PO Box 8910
St. John's, Newfoundland
A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

August 13, 2008

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

Enclosed are nine (9) copies of Newfoundland Power Inc.'s Quarterly Regulatory Report for the quarter ending June 30, 2008.

The report is divided into five sections: Quarterly Summary; Capital Expenditure Progress; Inter-Company Transactions; Customer Property Damage Claims; and Contribution In Aid of Construction Activity.

In Order No. P.U. 32(2007), the Board ordered Newfoundland Power to provide, as part of its quarterly reporting, updates on (1) the progress of its retail customer rate review, and (2) the status of the Accounting Standards Board's consideration of the transition to International Financial Reporting Standards. Updates on these matters are provided under the headings *Customer Service* and *Financial Matters*, respectively, in the Quarterly Summary in Section 1 of the report.

If you have any questions on the enclosed, please contact the undersigned at the direct number noted below.

Yours very truly,

Michelle Young
for Gerard Hayes
Senior Counsel

Enclosures

c. Geoffrey P. Young
Newfoundland & Labrador Hydro

Join us in the fight against cancer.

Quarterly Regulatory Report

For The Period Ended

June 30, 2008

QUARTERLY REGULATORY REPORT

FOR THE PERIOD ENDED

June 30, 2008

INDEX	TAB
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Capital Expenditure Progress	2
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1. Highlights

Highlights	2nd Quarter			Annual
	Actual 2008	Plan 2008	Actual 2007	Plan 2008
Customer Satisfaction (%)	90	89	88	89
Electricity Delivery [1]				
Electricity Sales (GWh)	1,183.0	1,191.8	1,172.0	5,215.1
Peak Demand (MW) [2]	1,188.0	1,219.8	1,171.8	1,219.8
Customer Minutes of Outage [3]	7.1	10.8	7.8	39.6
Revenue ($millions)	118.8	120.3	115.1	518.9
Earnings ($millions) [4]	10.1	10.0	8.0	31.7

- 2nd quarter customer satisfaction was 90%.
- 2nd quarter reliability performance was good.
- 2nd quarter financial performance was consistent with plan.
- Customer rates increased 5.9% on July 1, 2008 to reflect higher fuel costs at Holyrood.
- Newfoundland Power and Hydro completed a joint 5-year conservation plan.

1 Weather adjusted.
2 Peak demand for the 2007/2008 winter period occurred on January 22, 2008 at 5:45 p.m.
3 In millions of minutes, excluding Hydro related interruptions.
4 Earnings applicable to common shares.

2. Customer Service

Customer Service Performance (%)	Year to Date			Annual
	Actual 2008	Plan 2008	Actual 2007	Plan 2008
Customer Satisfaction	89	89	88	89
First Call Resolution [1]	88	87	87	87
Service Level [2]	81	80	80	80
Trouble Call Response [3]	88	85	90	85

[1] Percent of customer calls resolved on first contact.
[2] Percent of customer calls answered within 40 seconds.
[3] Percent of call response within two hours.

Customer Rates

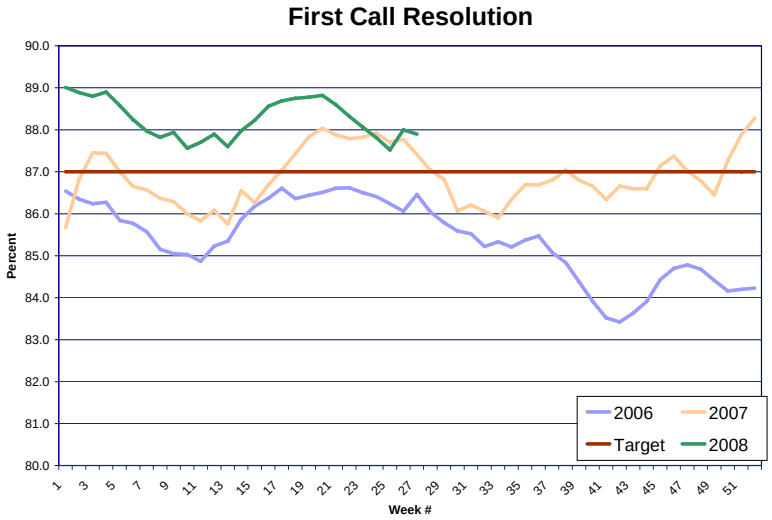
On July 1, 2008, customer rates increased 5.9% to reflect annual rate stabilization and municipal tax adjustments. The increase was primarily to reflect the higher cost of fuel to supply Newfoundland and Labrador Hydro's (Hydro) Holyrood generating station.

Customer Satisfaction

Customer satisfaction increased from 87% to 90% in the 2nd quarter resulting in a year-to-date average of 88.5%.

First Call Resolution

First Call Resolution has improved in the 2nd quarter when compared to the same period last year.



For the past two years our First Call Resolution percentage has decreased during the 3rd quarter. The primary causes of this were inexperienced summer replacement staff in the Contact Centre and the limited availability of staff for technical work response in the high construction season. In 2008, we changed our hiring practice in the Contact Centre to improve the mix of experienced and inexperienced agents available during the vacation season.

In addition, we have trained two of our meter readers as Technical Assistants to assist our Area Technicians in St. John's during peak construction season.

Customer Service Improvements

During the quarter we completed a revamp of our Contact Centre's Interactive Voice Response (IVR) telephone menus. The menu selections were altered to remove industry jargon such as *technical work* and *service locations*, make the available options more customer intuitive and to place high volume options such as moving and new home construction at the beginning of the menu options. The changes were based on a 2007 evaluation by *Market Strategies Inc*. of IVRs in top-rated utility Contact Centres in North America.

In the 2nd quarter the Company increased the usage and billing data available via the website. We increased the history of electricity usage and billing available to customers from thirteen to twenty-five months. In addition, we enabled commercial customers with multiple accounts that avail of our weekly billing option to view billing for each of their accounts via the website. Both of these changes provide customers with additional information to help them manage their electricity usage.

The Government Retest Order (GRO) process for electric meters has been enhanced. The new process reduces the manual effort associated with tracking the required meter removals and through automation ensures communications with customers have been completed.

Joint Utility 5-Year Conservation Plan

In the 2nd quarter, Newfoundland Power and Hydro filed a joint utility 5-year conservation plan with the Public Utilities Board (PUB). The plan estimated 79 GWh of annual energy savings in 2013. The total estimated costs through 2013 are $28.7 million.

Retail Rate Review

In accordance with the 2008 GRA Settlement Agreement, Newfoundland Power is conducting an evaluation of its existing rate designs and a review of alternative rate designs to determine their appropriateness for billing customers (the "Retail Rate Review"). In Order No. P.U. 32 (2007) (the "2008 General Rate Order"), the PUB ordered the Company to provide updates on the progress of the Retail Rate Review as part of its quarterly reporting.

In accordance with the Rate Design Report Study Plan, the Company has substantially completed the review of standard rate designs. The survey of rates in other jurisdictions is ongoing, and the development of alternative rate structures will be a focus during the 3rd Quarter.

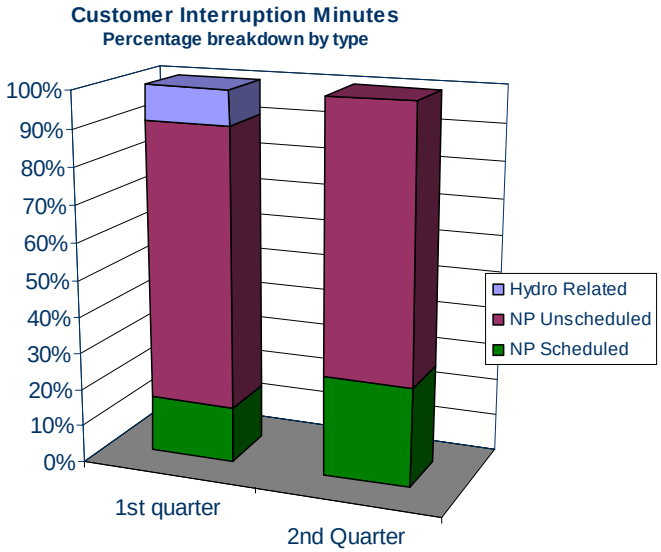
3. System Performance

A. Reliability

System Reliability [1]	Year to Date		Annual
	Actual 2008	Actual 2007	Plan 2008
Customer Minutes of Outage [2]	15.2	18.7	39.6
SAIDI (Outage hours per customer)	1.13	1.40	2.94
SAIFI (Outages per customer)	0.89	0.97	2.44

1 Excludes Hydro-related interruptions.
2 In millions of minutes.

System reliability was good during the 2nd quarter.



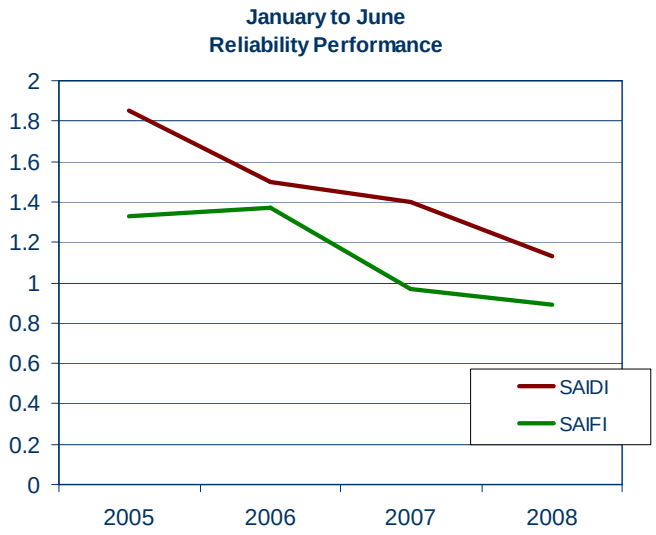
Total customer outage minutes decreased 20% from the 1st quarter. There were no Hydro-related outages during the 2nd quarter and total minutes associated with unscheduled outages improved by over 20%. These reductions were offset by a 45% increase in the number of outage minutes associated with Newfoundland Power's scheduled maintenance.

The significant unplanned power interruptions during the 2nd quarter were:

1. *April 2*: A broken primary at North West Brook/Little Hearts Ease caused an outage that affected 1,646 customers for a total of 461,515 customer minutes.
2. *May 16*: A fault on 144L transmission line between Cobb's Pond and Gander resulted in an outage to 6,482 customers in Gander, New World Island and Twillingate for a total of 324,100 customer minutes. Hydro's customers on Change Islands and Fogo Island were also affected.
3. *May 17*: A lightning arrestor failed at the Clarenville substation causing a large power outage affecting 16,448 customers on the Bonavista Peninsula as well as in Gander, Wesleyville and Gander Bay. Service to the majority of customers was restored within 35 minutes and to all customers within two hours; the total customer minutes associated with this outage was 1,239,336.

4. *June 24*: A contractor hooked an overhead wire on a distribution feeder in Corner Brook while operating a backhoe. The resulting pole and wire damage caused an outage to 1,970 customers in the Bayview Heights area for a total of 232,154 customer minutes.
5. *June 30*: Pole damage as a result of lightning caused an outage to 1,770 customers in the Summerford/Valley Pond area accumulating a total of 436,035 customer minutes.

Both the frequency and duration of outages were better than plan for the quarter. Both SAIDI and SAIFI for each of the past four years is shown on the chart.



B. Electricity Supply

Electricity Supply	2nd Quarter			Annual
	Actual 2008	Plan 2008	Actual 2007	Plan 2008
Energy Purchased (GWh)	1,105.6 [1]	1,118.0	1,143.9 [1]	5,099.9
Peak Demand (MW) [2, 3]	1,188.0	1,219.8	1,171.8	1,219.8
Hydro Plant Production (GWh)	150.6	140.4	102.8	425.8
Plant Availability (%)	96.2	95.0	96.3	95.0

[1] Not weather adjusted.
[2] Weather adjusted.
[3] Peak demand for the 2007/2008 winter period occurred on January 22, 2008 at 5:45 p.m.

Energy purchased was 12.4 GWh lower than plan for the quarter primarily due to higher than expected production at the Company's hydro facilities. Increased seasonal inflows into the Company's reservoirs, 14.1 GWh higher than normal during the quarter, accounted for the higher than expected production.

Hydro plant availability exceeded plan in the 2nd quarter but was comparable to the same period in 2007. There were 50 forced outages in the quarter in comparison to 49 and 56 during the same periods in 2007 and 2006 respectively.

Mobile River Watershed

To effectively terminate the Company's lease of the Mobile River watershed, effective March 1, 2009, the City of St. John's is required to pay the Company the value of the associated generation and transmission assets. The assets include the Mobile and Morris hydroelectric plants which have a combined capacity of 11.6 MW and combined average annual production of 49 GWh.

An arbitration proceeding to establish the value of these assets is expected in the latter half of 2008.

4. Financial Matters

Financial Highlights	2nd Quarter			Annual
	Actual 2008	Plan 2008	Actual 2007	Plan 2008
Revenue ($millions)	118.8	120.3	115.1 [1]	518.9
Purchased Power Costs ($millions)	69.4	70.5	73.9	337.2
Operating Costs ($millions) [2]	11.9	11.9	11.2	47.7
Operating Cost per Customer ($)	110	111	108	212
Earnings ($millions) [3]	10.1	10.0	8.0	31.7

[1] Reflects reclassification of interest on customer accounts from finance charges to other revenue.
[2] Excluding pension and early retirement program costs.
[3] Earnings applicable to common shares.

Financial Results

Revenue from electricity sales for the 2nd quarter of 2008 was $1.5 million less than plan as a result of lower energy sales. The original plan indicated energy sales growth of approximately 122 GWhs for 2008.

Purchased power costs for the 2nd quarter of 2008 were $1.1 million less than plan as a result of lower billing demand and lower energy sales.

Operating costs and earnings for the 2nd quarter of 2008 were consistent with plan.

Operating Cost per Customer

Operating cost per customer is slightly below plan due to a 0.4% increase in the number of customers. Customer connections for the year are now expected to be 1.2% over 2007 in comparison to a 1.0% reflected in the plan.

Collective Bargaining

The Company's collective agreements with employees represented by the International Brotherhood of Electrical Workers (IBEW) expire September 30, 2008. In the 2nd quarter, management completed its evaluation of workforce and contract matters and conducted joint training with the IBEW negotiating team. Negotiations are expected to commence late in the 3rd quarter.

International Financial Reporting Standards ("IFRS")

In the 1st quarter, the Canadian Accounting Standards Board confirmed its 2006 strategic plan to converge Canadian GAAP with IFRS over a 5-year transitional period. During the second quarter, the Company completed detailed diagnostics on the impact of IFRS on financial reporting. The diagnostics resulted in the identification of a number of action items requiring follow up during the third and fourth quarter. Currently, the areas that have a high potential to impact the Company relate to rate-regulated accounting practices; property plant and equipment; intangible assets; employee benefits; and income taxes.

Volunteers at Home Show 2008 in St. John's

5. Capital Program

2008 Capital Expenditures			
	Year To Date		Annual
	Actual	Plan	Plan [1]
Total ($000s)	27,854	23,615	51,654

[1] Annual plan include supplemental approval of $886,000 for the replacement of a transformer at the Pierre's Brook substation as well as carry forward projects from 2007 for the Rattling Brook Hydro Plant Refurbishment ($185,000) and the Kenmount Road building HVAC system ($579,000). The $750,000 allowance for unforeseen items is excluded from the plan.

2008 Capital Expenditure

The year-to-date actual is above plan primarily as a result of increases in both the Distribution and Substation classes. Distribution expenditure increases relate to higher than planned residential construction and associated line extensions. Increases in Substation expenditure are associated with the transformer replacement at Pierre's Brook, which arose after the 2008 Capital Budget was approved.

Major capital projects which progressed during the 2nd quarter include:

- Design work is complete and tenders released for the Cape Broyle refurbishment, the Mount Carmel Pond dam and the Whirlpond dam projects.
- Engineering work is underway to identify opportunities to increase production at the Company's hydro plants.
- Approximately 90% of the pole, framing and conductor installations is complete on the 111L transmission line rebuild. The transmission line is expected to be energized by the end of July.
- The planned Distribution Reliability Initiative projects for BOT-01 and GLV-02 were completed during the 2nd quarter.

2009 Capital Budget Application

On July 11, 2008, we filed our 2009 Capital Budget Application with the PUB. Proposed 2009 capital expenditure is $61.6 million. Over 60% of this is related to the replacement of existing plant.

6. Safety & Environment

A. Safety

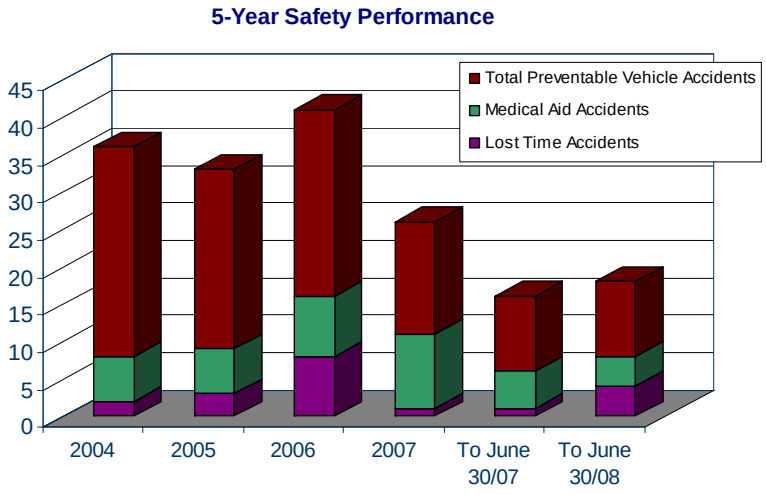
Safety Performance	Year to Date		Annual
	Actual 2008	Actual 2007	Plan 2008
Injury Frequency Rate [1]	2.8	2.1	1.9

1 Injuries per 200,000 hours worked.

Safety Performance

One Medical Aid and 2 Lost Time injuries in the 2nd quarter contributed to an all-injury frequency rate of 2.8 to the end of June 2008. This compares to a frequency rate of 2.1 to June 30, 2007. Although the total of 8 Lost Time and Medical Aid injuries is slightly higher than the 6 last year, the total number of days lost has increased significantly to 149 days from just 4 days during the same period in 2007. In 2008, 146 days lost related to 3 incidents involving repetitive strain and slips and falls.

There were 3 preventable vehicle accidents during the quarter, a reduction from the 7 reported during the first quarter. To the end of June, a total of 10 preventable vehicle accidents is consistent with the first six months of 2007.



Stop Work Orders

As a result of two separate site inspections, Newfoundland Power and its traffic control contractor were issued stop work orders on April 13 by the Occupational Health & Safety Division (OH&S).

OH&S concluded that the spacing and placement of signs and flag persons at the work sites were not adequate for traffic control. As a result of the stop work orders, the Company met with its contractor to clarify sign and flag person placement requirements. The Company also initiated revisions to its internal operating procedures as a result of this incident.

On June 3, a Newfoundland Power line construction contractor was issued a stop work order and directives while working on the 111L reconstruction project in the Port Union Area. The incident related to the condition of off-road and hoisting equipment at the site as well as the absence of operating manuals and maintenance log books. Two pieces of off-road equipment (Muskegs) were immediately removed from the site. All outstanding issues have been addressed by the contractor to the satisfaction of OH&S and the Company.

Worker Protection

Three primary codes of practice were revised during the 2nd quarter. The *Risk Management/Job Planning Code*, *Standard Protection Code* and *Grounding and Bonding Code* were revised as part of a new comprehensive worker protection system for employees who are working on high voltage lines and equipment or with mechanical machinery. A training package was developed and a train-the-trainer session completed with employees responsible for monitoring the compliance to these codes on the job. Company-wide training in the new codes has been completed.

In the 2nd quarter, all Company Meter Readers who install and remove electrical meters were issued flame resistant clothing to provide protection against injury from accidental electrical arcs.

Linepersons and electrical maintenance staff were given a full-day of fall protection training during the 2nd quarter. In addition, seven employees received three days of training to qualify them for inspection and training in fall protection.

Public Safety

Four electrical incidents involving the public were reported during the 2nd quarter. Two incidents involved homeowners cutting trees which made contact with high voltage electrical lines and two involved backhoes operating too close to power lines. There were no injuries as a result of these incidents. A total of five public electrical incidents have now been reported during 2008. There were four incidents during the same period in 2007.

Electrical safety presentations were conducted for 560 students from seven schools and 40 volunteer firefighters during the 2nd Quarter. The Company conducted a radio campaign in late April that challenged employers and their employees to *Put Safety First* in recognition of the National Day of Mourning for Injured Workers and for North American Occupational Safety and Health (NAOSH) week. The Company began its annual summer safety campaign with its *Look Up Before You Cut* and *Summer Safety Tips* advertisements in June.

Safety Milestones

Burin and Stephenville reached safety milestones in April with Burin achieving 6 years and Stephenville achieving 2 years without a Lost Time injury. Of the 18 department and operating units of the Company, 15 have worked injury-free for the first six months of 2008.

NAOSH Week

The Company celebrated NAOSH Week during May with worksite inspections and workplace health and safety activities at each of its locations across the province.

Children learn about electrical safety through the Kidzone website during Envirofest activities in Burin.

B. Environment

Environment Performance	Year to Date		Annual
	Actual 2008	Actual 2007	2008
Number of Spills	36	36	60
Spills Greater than 50 mg/kg PCB	2	2	2
Volume of Oil Spills (Litres)	490	1,170	1,050

[1] ppm is parts per million or mg/Kg.

The number of spills up to the end of June 2008 is consistent with 2007. The volume of oil spilled is comparatively lower in 2008, due to a 750 litre spill that occurred in June 2007. The clean up cost for 2008 is approximately $96,000 compared to $122,000 for 2007.

Approximately 295 employees attended environmental awareness training during the 2nd quarter, bringing the total number of employees trained in 2008 to 395. In the quarter, the Company began tracking contractor environmental training activities. Eight contractors (44 participants) have completed environmental awareness training since April.

7. Community

EnviroFest 2008

Several thousand people and more than 100 community groups across the island came out in support of our 11th *EnviroFest* celebrations. We once again partnered with the provincial government. We gave away compact fluorescent light bulbs (CFLs) at each of the eight events across the island. Participants at each event also had the chance to win an *Energy Star* television.

Contributing to communities was also an important part of our *EnviroFest* celebrations. Legacy tree planting projects were held at the following locations across the province: Beachy Cove Elementary in Portugal Cove-St. Philips; Cabot Academy in Western Bay; Tricentia Academy in Arnold's Cove; Town of Pasadena; and the Town of Port aux Basques.

Tree planting during Envirofest in Pasadena.

Ready. Kit. GO!

In May the Company, along with the Government of Newfoundland and Labrador and the Canadian Red Cross, launched Ready. Kit. GO! This partnership is aimed at increasing awareness of the importance of being prepared for an emergency, and providing information on how to build or purchase a ready-made emergency preparedness kit.

2008 Newfoundland and Labrador Summer Games

The Company will be a Platinum Sponsor of the Summer Games taking place in Corner Brook from August 9th to16th. Our sponsorship includes the provision of transportation for the athletes throughout the Games as well as providing identification pouches for all athletes and volunteers. In addition, we included an insert with July's electricity bills promoting the Games, the events and sponsors.

The HUB Partnership

Newfoundland Power donated two printing presses to The HUB in the 2nd quarter. This was a unique opportunity to help a worthwhile community organization continue to provide gainful employment to persons with disabilities. Tom Badcock, Executive Director of The HUB, indicated that the presses are the most significant donation they have ever received.

FINANCIAL STATEMENTS

NEWFOUNDLAND POWER INC.
BALANCE SHEETS
As At June 30
($000s)

	2008	2007 [1]
Capital Assets		
Property plant and equipment	1,195,175	1,152,066
Less: accumulated depreciation	434,979	421,088
	760,196	730,978
Current Assets		
Cash	932	-
Accounts receivable	62,202	62,181
Income tax receivable	-	3,253
Materials and supplies	948	883
Prepaid expenses	735	348
Regulatory assets	7,634	305
	72,451	66,970
Deferred Charges	91,737	85,046
Regulatory Assets	57,197	59,748
Customer Finance Plans	1,731	1,751
Total Assets	**983,312**	**944,493**
Shareholders' Equity		
Common shares	70,321	70,321
Retained earnings	294,997	279,530
Common shareholder's equity	365,318	349,851
Preference shares	9,352	9,352
	374,670	359,203
Current Liabilities		
Bank indebtedness	-	2
Short-term borrowings	400	2,685
Accounts payable and accrued charges	37,113	40,497
Income tax payable	2,034	-
Current portion of long-term debt	23,050	35,720
Due to related party	32,500	-
Regulatory liabilities	7,724	1,225
	102,821	80,129
Future Income Taxes	554	-
Long-term Debt	406,066	406,235
Other Liabilities	41,241	34,515
Regulatory Liabilities	57,960	64,411
Total Shareholders' Equity and Liabilities	**983,312**	**944,493**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS
For The Periods Ended June 30
($000s)

	SECOND QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2008	Plan 2008	Actual 2007 [1]	Actual 2008	Plan 2008	Actual 2007 [1]	Plan 2008	Actual 2007 [1]
Revenue	118,845	120,283	115,079	283,765	284,897	269,882	518,920	491,709
Purchased Power	69,426	70,522	73,919	191,900	193,137	179,987	337,159	326,778
Contribution	49,419	49,761	41,160	91,865	91,760	89,895	181,761	164,931
Operating Expenses	11,860	11,924	11,214	24,802	24,785	23,922	47,700	47,501
Pension Costs	464	544	1,092	969	1,083	2,175	2,220	4,439
Early Retirement Program Costs	282	282	282	564	564	698	1,128	1,262
Depreciation	11,097	11,057	10,024	20,373	20,305	22,026	40,208	39,955
Regulatory Deferral	1,040	1,062	(1,447)	1,931	1,950	(3,178)	3,862	(5,793)
Finance Charges	8,546	8,748	8,557	17,066	17,492	17,244	34,772	34,939
Income Before Income Taxes	16,130	16,144	11,438	26,160	25,581	27,008	51,871	42,628
Income Taxes	5,925	5,993	3,321	9,616	9,645	8,210	19,568	12,176
Net Earnings	10,205	10,151	8,117	16,544	15,936	18,798	32,303	30,452
Dividends on Preference Shares	146	146	147	260	292	293	586	586
Earnings Applicable to Common Shares	**10,059**	**10,005**	**7,970**	**16,284**	**15,644**	**18,505**	**31,717**	**29,866**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF RETAINED EARNINGS
For The Periods Ended June 30
($000s)

	Year-to-Date	
	2008	**2007**
Balance, Beginning of the Period	286,350	265,566
Net Earnings	16,544	18,798
Dividends		
Preference Shares	(260)	(293)
Common Shares	(7,637)	(4,541)
Balance, End of the Period	**294,997**	**279,530**

NEWFOUNDLAND POWER INC.
STATEMENTS OF CASHFLOWS
For The Periods Ended June 30
($000s)

	Year-to-Date	
	2008	2007 [1]
Cash From (Used In) Operating Activities		
Net earnings	16,544	18,798
Items not affecting cash:		
Amortization of capital assets	20,373	22,026
Amortization of deferred charges	150	158
Change in regulatory assets amd liabilities	1,479	(6,121)
Future income taxes	554	-
Accrued employee future benefits	(3,023)	(3,866)
Change in non-cash working capital	(17,909)	(27,806)
	18,168	3,189
Cash From (Used In) Investing Activities		
Capital expenditures (net of salvage)	(29,672)	(32,034)
Long-term portion of finance programs	80	(24)
Contributions from customers and security deposits	786	1,333
	(28,806)	(30,725)
Cash From (Used In) Financing Activities		
Change in short-term borrowings	400	2,365
Proceeds from long-term debt	20,000	30,404
Repayment of long-term debt	(34,500)	-
Proceeds from related party loan	32,500	-
Redemption of preferred shares	-	(1)
Dividends		
Preference shares	(260)	(293)
Common shares	(7,637)	(4,541)
	10,503	27,934
Change in Cash	(135)	398
Cash (Bank Indebtedness), Beginning of the Period	1,067	(400)
Cash (Bank Indebtedness), End of the Period	**932**	**(2)**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

APPENDICES

NEWFOUNDLAND POWER INC.
ELECTRICITY STATISTICS
For The Periods Ended June 30

	SECOND QUARTER		YEAR TO DATE		ANNUAL
	2008	2007	2008	2007	2007
Sales (GWh)					
Actual	1,189.6	1,181.4	2,897.4	2,817.6	5,070.3
Weather adjusted	1,183.0	1,172.0	2,899.2	2,835.2	5,092.8
Plan [1]	1,191.7		2,906.0		
Produced & Purchased (GWh)					
Actual	1,256.2	1,246.7	3,075.9	2,991.3	5,370.6
Weather adjusted	1,249.3	1,237.2	3,077.8	3,009.9	5,394.5
Plan [1]	1,258.4		3,084.8		
Hydro Production (GWh)					
Actual	150.6	102.8	285.1	209.0	379.5

[1] Based on Customer and Energy Sales Forecast dated August 31, 2007.

NEWFOUNDLAND POWER INC.
STATEMENTS OF ELECTRICITY SOLD (GWh)
For The Periods Ended June 30

WEATHER ADJUSTED

	SECOND QUARTER			YEAR TO DATE			ANNUAL	
BY SALES CATEGORY	**Actual 2008**	**Plan 2008**	**Actual 2007**	**Actual 2008**	**Plan 2008**	**Actual 2007**	**Plan 2008**	**Actual 2007**
Residential	694.1	697.3	687.0	1,794.7	1,797.5	1,751.2	3,130.8	3,044.4
Commercial								
0-10 kW	20.3	22.2	21.6	48.6	51.9	50.1	95.8	90.9
10-100 kW	147.3	149.7	147.0	353.0	354.9	344.6	647.4	629.2
110-1000 kVA	206.3	206.6	203.1	469.8	467.6	461.8	875.3	864.5
1000 kVA and Over	108.1	109.0	106.5	216.0	217.1	210.5	429.6	427.6
Total Commercial	482.0	487.5	478.2	1,087.4	1,091.5	1,067.0	2,048.1	2,012.2
Street Lighting	6.9	6.9	6.8	17.1	17.0	17.0	36.2	36.2
Total Calendar Basis Sales	**1,183.0**	**1,191.7**	**1,172.0**	**2,899.2**	**2,906.0**	**2,835.2**	**5,215.1**	**5,092.8**
BY REGION								
Eastern [1]	832.8	847.3	835.9	2,041.2	2,057.2	2,010.1	3,681.3	3,590.9
Western [2]	350.2	344.4	336.1	858.0	848.8	825.1	1,533.8	1,501.9
Total	**1,183.0**	**1,191.7**	**1,172.0**	**2,899.2**	**2,906.0**	**2,835.2**	**5,215.1**	**5,092.8**

[1] Eastern Region includes the St. John's, Avalon, Burin and Clarenville operating areas.
[2] Western Region includes the Gander, Grand Falls - Windsor, Corner Brook and Stephenville operating areas.

NEWFOUNDLAND POWER INC.
STATEMENTS OF REVENUE
For The Periods Ended June 30
($000s)

WEATHER ADJUSTED

BY SALES CATEGORY	SECOND QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2008	Plan [1] 2008	Actual 2007	Actual 2008	Plan [1] 2008	Actual 2007	Plan [1] 2008	Actual 2007
Residential	68,143	68,434	64,772	171,039	171,297	160,511	303,191	284,113
Commercial								
0-10 kW	2,746	2,929	2,888	6,319	6,652	6,482	12,452	12,043
10-100 kW	14,640	14,789	14,818	34,368	34,321	33,582	63,201	62,237
110-1000 kVA	16,954	17,161	16,759	38,755	38,746	37,550	73,188	70,946
1000 kVA and Over	7,706	7,604	7,345	15,631	15,478	14,662	30,782	29,880
Total Commercial	42,046	42,483	41,810	95,073	95,197	92,276	179,623	175,106
Street & Area Lighting	3,180	3,157	3,045	6,360	6,311	6,091	12,642	12,214
Forfeited Discounts	682	740	669	1,622	1,671	1,614	2,770	2,621
Revenue From Rates	**114,051**	**114,814**	**110,296**	**274,094**	**274,476**	**260,492**	**498,226**	**474,054**
Energy Supply Cost Variance [2]	(300)	-	-	(231)	-	-	-	-
RSA Shortfall [3]	-	-	1,101	-	-	2,186	-	3,044
2008 Income Tax True-up [4]	(336)	-	-	(560)	-	-	-	-
Amortizations [5]								
2005 Unbilled Income Tax Settlement	700	713	678	1,296	1,309	1,489	2,592	2,714
2005 Unbilled Remaining Balance	1,242	1,269	-	2,309	2,332	-	4,618	-
Total Reported Revenue	115,357	116,796	112,075	276,908	278,117	264,167	**505,436**	**479,812**
Other Revenue [6]	3,488	3,487	3,004	6,857	6,780	5,715	13,484	11,897
Total Operating Revenue	**118,845**	**120,283**	**115,079**	**283,765**	**284,897**	**269,882**	**518,920**	**491,709**

[1] Based on sales forecast dated August 31, 2007 and rates effective January 1, 2008 as approved by Order No. P.U. 32(2007).

[2] Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).

[3] Adjustment to Revenue to reflect matching of revenue and purchase power expense resulting from Hydro's January 1, 2007 rate change approved in Order No. P.U. 42(2006).

[4] Reduction in revenue for the 2nd quarter 2008 to reflect the 2008 Test Year Income Tax True-up as filed in the Company's application on February 29, 2008.

[5] Revenue amortizations as approved in Order No. P.U. 39(2006) & Order No. P.U. 32(2007).

[6] Restated to reflect the reclassification of interest income from Finance Charges to Other Revenue.

NEWFOUNDLAND POWER INC.
SUMMARY OF WEATHER ADJUSTMENTS
For The Periods Ended June 30
($000s)

	SECOND QUARTER			YEAR TO DATE			ANNUAL	
REVENUE FROM ELECTRICITY SALES	**Actual 2008**	**Plan [1] 2008**	**Actual 2007**	**Actual 2008**	**Plan [1] 2008**	**Actual 2007**	**Plan [1] 2008**	**Actual 2007**
Actual	114,587	114,814	110,964	273,954	274,476	259,117	498,226	472,233
Degree Day & Wind Adjustment	(536)	-	(668)	140	-	1,375	-	1,821
Weather Adjusted	**114,051**	**114,814**	**110,296**	**274,094**	**274,476**	**260,492**	**498,226**	**474,054**
Energy Supply Cost Variance [2]	(300)	-	-	(231)	-	-	-	-
2007 RSA Shortfall [3]	-	-	1,101	-	-	2,186	-	3,044
2008 Income Tax True-up [4]	(336)	-	-	(560)	-	-	-	-
Amortizations [5]								
2005 Income Tax Settlement	700	713	678	1,296	1,309	1,489	2,592	2,714
2005 Unbilled Remaining Balance	1,242	1,269	-	2,309	2,332	-	4,618	-
Total Reported Revenue	**115,357**	**116,796**	**112,075**	**276,908**	**278,117**	**264,167**	**505,436**	**479,812**
PURCHASED POWER EXPENSE								
Actual	68,530	69,976	71,918	188,113	192,134	187,377	335,173	324,247
Degree Day & Wind Adjustment	(608)	-	(838)	168	-	1,637	-	2,101
Hydro Equalization Adjustment	904	-	(1,884)	2,555	-	(2,588)	-	11
Purchased Power Weather Adjusted	**68,826**	**69,976**	**69,196**	**190,836**	**192,134**	**186,426**	**335,173**	**326,359**
Rattling Brook Deferral 2007 [6]	-	-	(677)	-	-	(677)	-	(1,795)
PPUCVR 2007 Timing Adjustment	-	-	4,879	-	-	(6,801)	-	-
PPUCVR 2007 [7]	-	-	89	-	-	89	-	482
Demand Management Incentive Account [8]	63	-	-	63	-	-	-	-
Amortizations [9]								
Replacement Energy Costs (Rattling Brook)	161	164	-	299	302	-	598	-
PPUCVR Balance at Dec 31, 2006	(185)	(188)	-	(344)	(347)	-	(688)	-
Weather Normalization Reserve	561	570	-	1,046	1,048	-	2,076	-
Hydro Production Reserve 2007 [10]	-	-	432	-	-	950	-	1,732
Weather Adjusted	**69,426**	**70,522**	**73,919**	**191,900**	**193,137**	**179,987**	**337,159**	**326,778**

[1] Based on 2008 GRA sales forecast dated August 31, 2007 and rates effective January 1, 2008 as approved by Order No. P.U. 32(2007).

[2] Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).

[3] Adjustment to Revenue to reflect matching of revenue and purchase power expense resulting from Hydro's January 1, 2007 rate change approved in Order No. P.U. 42(2006).

[4] Reduction in revenue for the 2nd quarter 2008 to reflect the 2008 Test Year Income Tax True-up as filed in the Company's application on February 29, 2008.

[5] Revenue amortizations as approved in Order No. P.U. 39(2006) & Order No. P.U. 32(2007).

[6] Deferral of Replacement Energy Costs (Rattling Brook) as approved in Order No. P.U. 39(2006).

[7] PPUCVR as approved in Order No. P.U. 44(2004).

[8] Demand Management Incentive Account as approved in Order No. P.U. 32(2007).

[9] Amortizations for 2008 as approved in Order No. P.U. 32(2007).

[10] As approved in Order No. P.U. 19(2003).

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS - DETAIL
For The Periods Ended June 30
($000s)

	SECOND QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2008	Plan 2008	Actual 2007 [1]	Actual 2008	Plan 2008	Actual 2007 [1]	Plan 2008	Actual 2007 [1]
Other Revenue								
Joint Use Revenue								
Aliant	1,795	1,783	1,658	3,491	3,484	3,317	6,970	6,782
CATV	468	522	449	938	1,044	900	2,090	1,786
Total Joint Use Revenue	2,263	2,305	2,107	4,429	4,528	4,217	9,060	8,568
Miscellaneous								
Customer Jobbing	149	102	252	263	210	225	529	732
Rental Income	4	-	8	14	-	8	-	19
Municipal Tax Liability [2]	367	375	-	681	688	-	1,362	-
Interest - Customer Accounts	341	369	398	721	710	769	1,200	1,477
Interest - RSA	16	-	(15)	53	-	6	-	(58)
Interest - CIAC	26	15	20	52	30	40	60	90
Interest - Other	34	33	38	69	66	77	132	146
Reconnections	27	33	30	35	46	31	119	71
NSF Cheque Charges	10	13	5	21	27	11	54	19
Wheeling Charges	180	143	97	336	292	220	567	490
Miscellaneous	7	38	2	68	75	-	150	84
Service Connection Fees	64	61	62	115	108	111	251	259
Total Miscellaneous	1,225	1,182	897	2,428	2,252	1,498	4,424	3,329
Total Other Revenue	**3,488**	**3,487**	**3,004**	**6,857**	**6,780**	**5,715**	**13,484**	**11,897**
Finance Charges [3]								
Interest on Long-term Debt	8,105	8,106	8,113	16,211	16,212	16,223	32,334	33,718
Interest on Long-term Committed Credit Facility	474	666	747	853	1,260	1,228	2,481	1,437
Interest on Short-term Uncommitted Demand Facility	9	-	(324)	10	-	(300)	-	38
Amortization of Deferred Debt Issue Costs	59	45	62	118	90	125	178	256
Amortization of Capital Stock Issue Expenses	15	15	15	31	30	31	62	62
Interest on Security Deposits	10	-	13	22	-	25	-	50
Allowance For Funds Used During Construction (AFUDC)	(126)	(84)	(69)	(179)	(100)	(88)	(283)	(622)
Total Finance Charges	**8,546**	**8,748**	**8,557**	**17,066**	**17,492**	**17,244**	**34,772**	**34,939**

[1] Certain comparative figures have been reclassified to conform with current year presentation.
[2] Amortization of the Municipal Tax Liability as approved in Order No. P.U. 32(2007).
[3] Interest Income has been reclassified as Other Revenue for 2008 and 2007 comparative purposes.

NEWFOUNDLAND POWER INC.
CUSTOMER AND EMPLOYEE STATISTICS
As At June 30

	SECOND QUARTER		ANNUAL	
	Actual 2008	**Actual 2007**	**Plan 2008**	**Actual 2007**
Customers	233,563	230,438	234,510	232,262
Employees [1]				
Regular	549	554	555	555
Temporary	67	69	71	72
Total	616	623	626	627

[1] Refers to full time equivalents.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY AREA
For The Periods Ended June 30

	SAIFI					SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR	QUARTER		12 MONTH TO DATE		5 YEAR
	2008	2007	2008	2007	TO DATE	2008	2007	2008	2007	TO DATE
AREA	#	#	#	#	# / YEAR	HOURS	HOURS	HOURS	HOURS	HRS. / YEAR
St. John's	0.19	0.34	2.88	1.74	2.65	0.20	0.45	3.23	1.92	2.62
Avalon	0.32	0.57	2.28	2.44	2.41	0.18	0.66	3.45	2.94	3.52
Burin	0.56	0.10	4.35	2.27	5.08	0.64	0.14	4.13	3.04	4.81
Bonavista	1.13	1.11	6.73	6.18	5.43	2.26	1.00	42.21	7.20	12.96
Gander	1.66	0.67	3.31	4.15	5.01	1.78	0.91	6.61	4.83	6.74
Grand Falls	0.20	0.30	2.01	2.09	2.95	0.46	0.45	2.37	2.23	4.63
Corner Brook	0.15	0.47	3.77	1.77	2.43	0.30	0.85	3.89	2.10	2.71
Stephenville	0.19	0.61	2.93	4.70	4.23	0.31	0.77	3.19	3.21	4.94
Company Totals	**0.41**	**0.47**	**3.16**	**2.60**	**3.23**	**0.53**	**0.60**	**6.19**	**2.85**	**4.24**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended June 30

ORIGIN	SAIFI				
	QUARTER		12 MONTH TO DATE		5 YEAR TO DATE # / YEAR
	2008 #	2007 #	2008 #	2007 #	
Loss of Supply (NF Hydro)	0.00	0.04	0.78	0.30	0.64
Transmission	0.27	0.14	1.59	0.76	1.71
Distribution	0.14	0.29	0.79	1.55	0.88
Company Totals	**0.41**	**0.47**	**3.16**	**2.60**	**3.23**

System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended June 30

ORIGIN	SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR TO DATE HRS. / YEAR
	2008 HOURS	2007 HOURS	2008 HOURS	2007 HOURS	
Loss of Supply (NF Hydro)	0.00	0.01	0.53	0.06	0.31
Transmission	0.41	0.19	4.94	0.53	3.07
Distribution	0.12	0.39	0.72	2.27	0.86
Company Totals	**0.53**	**0.60**	**6.19**	**2.85**	**4.24**

System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BREAKDOWN REPORT
Second Quarter 2008

AREA	SCHEDULED		UNSCHEDULED		TOTAL	
	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS
St. John's	0.03	0.03	0.16	0.17	0.19	0.20
Avalon	0.22	0.06	0.10	0.12	0.32	0.18
Burin	0.47	0.48	0.09	0.16	0.56	0.64
Bonavista	0.18	0.41	0.95	1.85	1.13	2.26
Gander	0.43	0.51	1.23	1.27	1.66	1.78
Grand Falls	0.10	0.27	0.10	0.19	0.20	0.46
Corner Brook	0.03	0.04	0.12	0.26	0.15	0.30
Stephenville	0.01	0.02	0.18	0.29	0.19	0.31
Company Totals	**0.13**	**0.14**	**0.28**	**0.39**	**0.41**	**0.53**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.

CAPITAL EXPENDITURE PROGRESS REPORT

For the Period Ended June 30, 2008

Introduction

The Capital Expenditure Progress Report summarizes the capital expenditures of the various capital accounts of the Company and lists any new lease obligations in excess of $5,000 per year.

The report contains three sections:

1. The Budget section outlines the annual capital expenditure budget approved by the Public Utilities Board for the current year.

2. The Expenditure section outlines actual capital expenditures for the current quarter and year to date, and indicates the balance of the annual capital budget remaining to be expended (difference between annual budget and year to date actual).

3. The Leasing Arrangement section includes a brief description of the item being leased, the leasing period, and the annual and quarterly leasing costs.

NEWFOUNDLAND POWER INC.
CAPITAL EXPENDITURE PROGRESS REPORT
For the Period Ended June 30, 2008
($000s)

	BUDGET	EXPENDITURE [1]		
	Approved by Order No. P.U. 27(2007) and P.U 3(2008)	Second Quarter	Year To Date	Unexpended Balance
Generation Hydro	3,385	605	825	2,560
Generation Thermal	100	1	1	99
Substations	5,762	2,344	3,522	2,240
Transmission	4,890	972	1,322	3,568
Distribution	26,636	8,351	17,190	9,446
General Property	977	126	182	795
Transportation	2,214	1,043	1,281	933
Telecommunications	224	28	45	179
Information Systems	3,502	1,406	2,028	1,474
Unforeseen Items	1,150	-	-	1,150
General Expenses Capital	2,800	575	1,263	1,537
TOTAL	51,640	15,451	27,659	23,981

Leasing Arrangements Entered Into			
Brief Description	**Period**	**Annual Cost**	**Quarterly Payments**
	There were no lease obligations in excess of $5,000 annually entered into during the second quarter of 2008.		

[1] Excludes capital expenditures of approximately $195,000 related to prior years capital projects carried forward into 2008.

NEWFOUNDLAND POWER INC.

INTER-COMPANY TRANSACTIONS REPORT

For the Period Ended June 30, 2008

Introduction

The Inter-Company Transactions Report summarizes transactions between the Company and related corporations on a quarterly and year-to-date basis. The report itemizes the charges by type and distinguishes between regulated and non-regulated charges. The report also documents any contracts, agreements or loans between Newfoundland Power and any related corporation that were signed in the current quarter.

The report is divided into four sections as follows:

1. The first section aggregates charges from all related corporations and presents a summary, by charge type, for the current quarter and the same period last year, as well as comparable annual charges for the previous year.

2. The second section breaks down the charges ***from*** each individual associated corporation and presents an itemized quarterly summary for the current year and the same period last year, as well as comparable annual charges for the previous year.

3. The third section breaks down the charges ***to*** each individual associated corporation and presents an itemized quarterly summary for the current year and the same period last year, as well as comparable annual charges for the previous year.

4. The fourth section lists any contracts or agreements that were signed between the Company and any related corporation as well as any loans with related corporations. Loan information provided includes the amount of the loan, the date of borrowing and date of repayment, the interest rate, and total interest paid.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Summary of Charges
For The Period Ended June 30, 2008

Charges from Associated Companies

Regulated Charges	Second Quarter 2008	Second Quarter 2007	Year To Date 2008	Year To Date 2007	Annual 2007
Listing & Filing Fees	$ -	$ -	$ -	$ 17,748	$ 17,748
Trustee & Share Plan Costs	8,000	55,819	16,000	68,009	87,322
Hotel/Banquet Facilities	382	2,502	8,722	4,381	38,797
Miscellaneous	31,560	28,419	60,310	31,762	146,177
Sub-total	$ 39,942	$ 86,740	$ 85,032	$ 121,900	$ 290,044

Non-Regulated Charges	Second Quarter 2008	Second Quarter 2007	Year To Date 2008	Year To Date 2007	Annual 2007
Listing & Filing Fees	$ -	$ 12,739	$ -	$ 17,076	$ 37,463
Trustee & Share Plan Costs	-	-	-	-	9,816
Directors' Fees & Travel	53,000	45,788	109,000	80,255	158,259
Annual & Quarterly Reports	30,000	90,874	61,000	121,157	152,249
Hotel/Banquet Facilities	-	-	-	1,356	1,356
Staff Charges	22,000	-	46,000	-	-
Miscellaneous	413,057	18,590	460,057	30,887	383,085
Sub-total	$ 518,057	$ 167,991	$ 676,057	$ 250,731	$ 742,228
TOTAL	$ 557,999	$ 254,731	$ 761,089	$ 372,631	$ 1,032,272

Charges to Associated Companies

	Second Quarter 2008	Second Quarter 2007	Year To Date 2008	Year To Date 2007	Annual 2007
Printing & Stationery	$ 238	$ 1,134	$ 649	$ 2,533	$ 5,066
Postage	5,491	5,130	10,913	10,259	20,273
Staff Charges	205,615	269,942	327,363	545,430	894,468
Staff Charges - Insurance	73,558	64,849	123,115	119,982	201,731
IS Charges	2,841	-	2,841	4,931	27,251
Pole Installations	5,541	7,288	9,011	11,590	24,911
Miscellaneous	7,046	32,234	11,680	41,106	70,197
TOTAL	$ 300,330	$ 380,577	$ 485,572	$ 735,831	$ 1,243,897

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended June 30, 2008

	Second Quarter 2008			Second Quarter 2007		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.						
Listing & Filing Fees	$ -	$ -	$ -	$ -	$ 12,739	$ 12,739
Directors' Fees & Travel	-	53,000	53,000	-	45,788	45,788
Annual & Quarterly Reports	-	30,000	30,000	-	90,874	90,874
Trustee & Share Plan Costs	8,000	-	8,000	55,819	-	55,819
Staff Charges	-	22,000	22,000	-	-	-
Miscellaneous	23,825	413,057	436,882	17,743	18,590	36,333
Total	$ 31,825	$ 518,057	$ 549,882	$ 73,562	$ 167,991	$ 241,553
Fortis Properties Corporation						
Hotel/Banquet Facilities	$ 382	$ -	$ 382	$ 2,502	$ -	$ 2,502
Miscellaneous	-	-	-	2,857	-	2,857
Total	$ 382	$ -	$ 382	$ 5,359	$ -	$ 5,359
FortisOntario Inc.						
Miscellaneous	$ 3,200	$ -	$ 3,200	$ 2,895	$ -	$ 2,895
Total	$ 3,200	$ -	$ 3,200	$ 2,895	$ -	$ 2,895
FortisAlberta Inc.						
Miscellaneous	$ -	$ -	$ -	$ 694	$ -	$ 694
Total	$ -	$ -	$ -	$ 694	$ -	$ 694
FortisBC Inc.						
Miscellaneous	$ 4,535	$ -	$ 4,535	$ 4,230	$ -	$ 4,230
Total	$ 4,535	$ -	$ 4,535	$ 4,230	$ -	$ 4,230

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended June 30, 2008

	Year To Date 2008			Year To Date 2007			Annual 2007		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.									
Listing & Filing Fees	$ -	$ -	$ -	$ 17,748	$ 17,076	$ 34,824	$ 17,748	$ 37,463	$ 55,211
Directors' Fees and Travel	-	109,000	109,000	-	80,255	80,255	-	158,259	158,259
Annual & Quarterly Reports	-	61,000	61,000	-	121,157	121,157	-	152,249	152,249
Trustee & Share Plan Costs	16,000	-	16,000	68,009	-	68,009	87,322	9,816	97,138
Staff Charges	-	46,000	46,000	-	-	-	-	-	-
Miscellaneous	35,959	460,057	496,016	17,743	30,887	48,630	94,261	382,585	476,846
Total	$ 51,959	$ 676,057	$ 728,016	$ 103,500	$ 249,375	$ 352,875	$ 199,331	$ 740,372	$ 939,703
Fortis Properties Corporation									
Hotel/Banquet Facilities	$ 8,722	$ -	$ 8,722	$ 4,381	$ 1,356	$ 5,737	$ 38,797	$ 1,356	$ 40,153
Miscellaneous	5,569	-	5,569	2,857	-	2,857	32,325	500	32,825
Total	$ 14,291	$ -	$ 14,291	$ 7,238	$ 1,356	$ 8,594	$ 71,122	$ 1,856	$ 72,978
FortisOntario Inc.									
Miscellaneous	$ 9,172	$ -	$ 9,172	$ 5,880	$ -	$ 5,880	$ 5,880	$ -	$ 5,880
Total	$ 9,172	$ -	$ 9,172	$ 5,880	$ -	$ 5,880	$ 5,880	$ -	$ 5,880
FortisAlberta Inc.									
Miscellaneous	$ -	$ -	$ -	$ 1,052	$ -	$ 1,052	$ 1,052	$ -	$ 1,052
Total	$ -	$ -	$ -	$ 1,052	$ -	$ 1,052	$ 1,052	$ -	$ 1,052
FortisBC Inc.									
Miscellaneous	$ 9,610	$ -	$ 9,610	$ 4,230	$ -	$ 4,230	$ 12,659	$ -	$ 12,659
Total	$ 9,610	$ -	$ 9,610	$ 4,230	$ -	$ 4,230	$ 12,659	$ -	$ 12,659

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended June 30, 2008

	Second Quarter 2008	Second Quarter 2007	Year To Date 2008	Year To Date 2007	Annual 2007
Fortis Inc.					
Printing & Stationery	$ 40	$ 48	$ 95	$ 377	$ 456
Postage	5,491	5,130	10,913	10,259	20,273
Staff Charges	130,171	190,948	198,861	359,889	606,758
Staff Charges - Insurance	67,948	59,000	105,311	107,122	167,629
IS Charges	2,694	-	2,694	-	277
Pole Installations	5,541	7,288	9,011	11,590	24,911
Miscellaneous	562	2,560	2,765	3,642	6,744
Total	$ 212,447	$ 264,974	$ 329,650	$ 492,879	$ 827,048
Fortis Properties Corporation					
Printing & Stationery	$ 198	$ 1,086	$ 554	$ 2,156	$ 4,610
Staff Charges	-	-	-	-	174
Staff Charges - Insurance	5,039	3,880	7,917	5,871	10,630
IS Charges	-	-	-	-	4,432
Miscellaneous	360	1,115	1,640	1,115	2,457
Total	$ 5,597	$ 6,081	$ 10,111	$ 9,142	$ 22,303
Maritime Electric Company, Limited					
Staff Charges	$ 2,721	$ 984	$ 4,891	$ 984	$ 2,791
Staff Charges - Insurance	143	25	194	49	1,490
IS Charges	-	-	-	-	2,674
Miscellaneous	-	-	81	-	850
Total	$ 2,864	$ 1,009	$ 5,166	$ 1,033	$ 7,805
FortisOntario Inc.					
Staff Charges	$ -	$ -	$ -	$ 126	$ 126
Staff Charges - Insurance	-	549	459	792	1,791
IS Charges	-	-	-	-	2,424
Miscellaneous	-	-	-	-	850
Total	$ -	$ 549	$ 459	$ 918	$ 5,191

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended June 30, 2008

	Second Quarter 2008	Second Quarter 2007	Year To Date 2008	Year To Date 2007	Annual 2007
Belize Electricity Limited					
Staff Charges	$ 5,247	$ 24,067	$ 13,319	$ 80,903	$ 128,888
Staff Charges - Insurance	-	(13)	395	608	6,410
IS Charges	85	-	85	4,931	9,134
Miscellaneous	119	3,669	540	11,096	28,273
Total	$ 5,451	$ 27,723	$ 14,339	$ 97,538	$ 172,705
Fortis US Energy Corporation					
Staff Charges - Insurance	$ -	$ 588	$ -	$ 866	$ 939
Total	$ -	$ 588	$ -	$ 866	$ 939
Belize Electric Company Limited					
Staff Charges	$ 19,476	$ -	$ 51,323	$ -	$ 35,843
Staff Charges - Insurance	-	324	592	2,122	7,215
Total	$ 19,476	$ 324	$ 51,915	$ 2,122	$ 43,058
CNE Energy Inc.					
Staff Charges - Insurance	$ -	$ -	$ -	$ 107	$ 107
Total	$ -	$ -	$ -	$ 107	$ 107
FortisAlberta Inc.					
Staff Charges	$ 48,000	$ 22,438	$ 58,969	$ 38,047	$ 38,047
Staff Charges - Insurance	162	144	3,707	788	1,041
IS Charges	62	-	62	-	-
Miscellaneous	6,005	24,890	6,492	25,253	28,103
Total	$ 54,229	$ 47,472	$ 69,230	$ 64,088	$ 67,191
FortisBC Inc.					
Staff Charges	$ -	$ 31,505	$ -	$ 65,481	$ 81,841
Staff Charges - Insurance	266	352	4,540	1,657	4,479
IS Charges	-	-	-	-	8,310
Miscellaneous	-	-	162	-	2,920
Total	$ 266	$ 31,857	$ 4,702	$ 67,138	$ 97,550

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Agreements With Associated Companies
For the Period Ended June 30, 2008

Company Name	Amount	Date Borrowed	Date Repaid	Interest Rate	Interest
Fortis Inc.	$ 32,500,000	May 20, 2008	June 20, 2008	3.15%	$ 86,949
Fortis Inc.[1]	$ 32,500,000	June 20, 2008	July 20, 2008	3.15%	$ 84,144

[1] This is the forecast interest costs for the period June 20 to July 20, 2008 based on a 30 day repayment.

NEWFOUNDLAND POWER INC.

CUSTOMER PROPERTY DAMAGE CLAIMS REPORT

For the Quarter Ending June 30, 2008

Introduction

The Customer Property Damage Claims Report contains an overview of all damage claims activity summarized on a quarterly basis. The information contained in the report is broken down by cause as well as by the operating region where the claims originated.

The report is divided into four sections as follows:

1. The first section indicates the number of claims received during the quarter coupled with claims outstanding from the previous quarter.

2. The second section shows the number of claims for which the Company has accepted responsibility and the amount paid to claimants versus the amount originally claimed.

3. The third section shows the number of claims rejected and the dollar value associated with those claims.

4. The fourth section indicates those claims that remain outstanding at the end of the current quarter and the dollar value associated with such claims.

Overview - Second Quarter

The total number of damage claims received during the second quarter of 2008 has decreased in comparison to the number received during the same period in 2007. The decrease is found primarily in the Equipment Failure category.

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Cause

For the Quarter Ending June 30, 2008

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	1	3	4	3	$ 1,070	$ 756	-	$ -	1	$ 100
Power Interruptions	1	-	1	1	50	50	-	-	-	-
Improper Workmanship	8	2	10	6	4,655	3,560	-	-	4	21,796
Weather Related	-	-	-	-	-	-	-	-	-	-
Equipment Failure	17	15	32	25	24,004	16,147	-	-	7	12,650
Third Party	1	-	1	-	-	-	-	-	1	400
Miscellaneous	14	2	16	14	23,905	23,132	-	-	2	1,200
Total	**42**	**22**	**64**	**49**	**$ 53,684**	**$ 43,645**	**-**	**$ -**	**15**	**$ 36,146**

For the Quarter Ending June 30, 2007

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	-	-	-	-	$ -	$ -	-	$ -	-	$ -
Power Interruptions	-	-	-	-	-	-	-	-	-	-
Improper Workmanship	3	-	3	1	500	325	-	-	2	3,600
Weather Related	-	-	-	-	-	-	-	-	-	-
Equipment Failure	37	5	42	30	37,698	25,673	-	-	12	21,820
Third Party	1	-	1	1	1,114	1,114	-	-	-	-
Miscellaneous	15	2	17	10	1,747	1,747	-	-	7	5,640
Total	**56**	**7**	**63**	**42**	**$ 41,059**	**$ 28,859**	**-**	**$ -**	**21**	**$ 31,060**

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Region

For the Quarter Ending June 30, 2008

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	24	19	43	28	$ 36,643	$ 26,604	-	$ -	15	$ 36,146
Western Region	18	3	21	21	17,041	17,041	-	-	-	-
Total	**42**	**22**	**64**	**49**	**$ 53,684**	**$ 43,645**	**-**	**$ -**	**15**	**$ 36,146**

For the Quarter Ending June 30, 2007

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	37	6	43	25	$ 27,772	$ 15,694	-	$ -	18	$ 27,420
Western Region	19	1	20	17	13,287	13,165	-	-	3	3,640
Total	**56**	**7**	**63**	**42**	**$ 41,059**	**$ 28,859**	**-**	**$ -**	**21**	**$ 31,060**

Definitions of Causes of Damage Claims

1. **System Operations:** Claims arising from system operations. Examples include normal reclosing or switching.

2. **Power Interruptions:** Claims arising from interruption of power supply. Examples include all scheduled or unscheduled interruptions.

3. **Improper Workmanship:** Claims arising from failure of electrical equipment caused by improper workmanship or methods. Examples include improper crimping of connections, insufficient sealing and taping of connections, improper maintenance, inadequate clearance, or improper operation of equipment.

4. **Weather Related:** Claims arising from weather conditions. Examples include wind, rain, ice, lightning, or corrosion caused by weather.

5. **Equipment Failure:** Claims arising from failure of electrical equipment not caused by improper workmanship. Examples include broken neutrals, broken tie wires, transformer failure, insulator failure or broken service wire.

6. **Third Party:** Claims arising from equipment failure caused by acts of third parties. Examples include motor vehicle accidents and vandalism.

7. **Miscellaneous:** All claims not related to electrical service.

NEWFOUNDLAND POWER INC.

CONTRIBUTION IN AID OF CONSTRUCTION
QUARTERLY ACTIVITY REPORT

For the Quarter Ending June 30, 2008

The table below summarizes Contribution In Aid of Construction (CIAC) activity for the second quarter of 2008. The table is divided into three sections. The first section identifies the type of service for which a CIAC has been calculated. Services are categorized as Domestic (located within a Residential Planning Area), Domestic (located outside a Residential Planning Area) or General Service.

The second section indicates the number of CIACs quoted during the quarter as well as the number of CIAC quotes that remained outstanding at the end of the previous quarter. This format facilitates a reconciliation of the total number of CIACs that were active during the quarter.

The third section provides information as to the disposition of the total CIACs quoted. A CIAC is considered Accepted when a customer indicates they wish to proceed with construction of the extension and has agreed to pay any charge that may be applicable. A CIAC is considered Outdated after six months has elapsed and the customer has not indicated their intention to proceed with the extension. A quoted CIAC is Outstanding if it is neither Accepted nor Outdated.

Type of Service	CIACs Quoted	CIACs Outstanding Previous Qtr.	Total CIACs Quoted	CIACs Accepted	CIACs Outdated	Total CIACs Outstanding
Domestic						
- Within Planning Area	13	8	21	6	1	14
- Outside Planning Area	64	19	83	38	7	38
	77	27	104	44	8	52
General Service	9	9	18	6	7	5
Total	86	36	122	50	15	57

The table on pages 2 to 5 of the report provide specific information for the 86 CIACs quoted to customers during the period April 1, 2008 to June 30, 2008. Both the CIAC amounts quoted and the Estimated Construction Costs exclude HST.

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Second Quarter 2008

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (within Residential Planning Area)						
28/May/08	Bishop, David	Cupids	2008-20-135	1,000.00	3,425.00	Yes
08/May/08	Costello, Judy	Northern Bay	2008-20-124	500.00	2,625.00	
09/Apr/08	Flynn, Dianne	Harbour Grace	2008-20-117	9,950.00	12,075.00	
26/Jun/08	Froude, Darrell	Harcourt	2008-30-107	5,400.00	8,525.00	
04/Apr/08	Harvey, Best	Lumsden	2008-41-108	48,900.00	78,950.00	
21/May/08	Hefford, Glen	Snook's Harbour	2008-30-102	2,425.00	5,050.00	Yes
03/Jun/08	Legge, John	Dildo	2008-20-136	2,650.00	5,000.00	
06/May/08	Madden, Danny	Maddox Cove	2008-10-110	27,480.00	51,230.00	
08/May/08	Martin, Bruce	Lewisporte	2008-40-108	1,250.00	3,375.00	Yes
15/May/08	O'Quinn, Ronald	Searston	2008-51-107	4,025.00	6,400.00	Yes
24/Jun/08	Payne, Rob	Humber Valley Resort	2008-50-129	22,350.00	54,225.00	
16/Jun/08	Simms, Peter	Gander	2008-41-113	3,864.00	6,789.00	
02/May/08	Torraville, Kevin	George's Point	2008-41-110	1,550.00	4,175.00	
DOMESTIC (outside Residential Planning Area)						
26/Jun/08	Abbott, George	Muddy Hole Cottage Area (Burin)	2008-31-103	124,766.00	137,016.00	
16/Apr/08	Abbott, Jacqueline	Cape Pond Road Cottage Area	2008-10-108	1,455.01	2,080.01	Yes
28/May/08	Adams, Don	Governor's Park (Salmonier Line)	2008-20-132	175.00	1,100.00	
04/Jun/08	Andrews, Tony	Sandy Point Cottage Area	2008-40-112	5,165.17	5,790.17	
13/Jun/08	Bennett, Scott	Pinchgut Lake	2008-50-122	1,350.00	2,350.00	Yes
13/May/08	Blackmore, Robert	Wreckhouse -MacDougals	2008-51-106	1,135.89	1,760.89	Yes
03/Jun/08	Burry, Hardy	Lower Bread and Cheese Cove	2008-40-109	2,472.46	3,097.46	
30/Jun/08	Burt, Roland	Howley Cottage Area	2008-50-132	2,961.54	3,586.54	
13/May/08	Butt, David	Howley Cottage Area	2008-50-115	2,961.54	3,586.54	

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Second Quarter 2008

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (outside Residential Planning Area)						
07/May/08	Caines, Randell	Governor's Park (Salmonier Line)	2008-20-123	600.00	1,225.00	Yes
16/Jun/08	Clarke, Elizabeth	Mansfield Pond Cottage Area	2008-20-142	3,106.34	3,731.34	
09/Jun/08	Cluett, Melanie	Spread Eagle	2008-20-138	450.00	1,075.00	
28/May/08	Critch, Lloyd	Nine Mile Road Cottage Area	2008-20-127	3,475.74	4,100.74	Yes
28/May/08	Deer, Rosemary	Mahers Cottage Area	2008-20-130	1,906.85	2,531.85	
22/May/08	Doyle, Michael	Track Road Cottage Area	2008-10-109	2,389.03	3,014.03	Yes
14/Apr/08	Drover, Charles	Spread Eagle	2008-20-118	325.00	1,200.00	
20/Jun/08	Duff, Patrick	Witless Bay Line Cottage Area	2008-10-119	1,879.34	2,504.34	Yes
13/Jun/08	Edstrom, Annette	Placentia Junction	2008-20-141	525.00	1,150.00	Yes
13/Jun/08	Gosse, Dulcie	Markland	2008-20-139	325.00	950.00	Yes
29/Apr/08	Hannam, Sterling	Point Leamington	2008-40-106	1,050.00	2,675.00	Yes
16/May/08	Harvey, Roland	Searston Cottage Area	2008-51-108	1,016.67	1,641.67	Yes
13/May/08	Higgins, Bruce	Howley Cottage Area	2008-50-111	2,961.54	3,586.54	Yes
18/Jun/08	Humphries, John	Bunyans Cove Road Cottage Area	2008-30-111	4,119.75	4,744.75	Yes
22/May/08	Hunt, Donny	North Harbour	2008-20-126	500.00	1,125.00	
16/Jun/08	Hunter, Dennis	Red Cliff Road	2008-40-113	10,977.00	11,602.00	Yes
27/May/08	Hynes, Paul	Gallants	2008-50-123	975.00	1,975.00	
02/May/08	James, David	Munroe's Pond Cottage Area	2008-40-105	146,000.00	182,875.00	
12/Jun/08	Joyce, David	Track Road Cottage Area	2008-10-113	2,389.03	3,014.03	Yes
19/Jun/08	Kenny, Leonard	Witless Bay Line Cottage Area	2008-10-118	1,879.34	2,504.34	Yes
25/Jun/08	Langer, Austin	Bonne Bay Big Pond	2008-50-130	1,825.00	2,450.00	
26/May/08	Meaney, Robert	Howley Cottage Area	2008-50-121	2,961.54	3,586.54	Yes
02/May/08	Morgan, Paul	Mahers Cottage Area	2008-20-121	1,906.85	2,531.85	
12/May/08	Morgan, Roxanne	Old Mans Pond Cottage Area	2008-20-125	3,265.63	3,890.63	

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Second Quarter 2008

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (within Residential Planning Area)						
21/May/08	Morris, Alex	Harcourt	2008-30-103	4,175.00	4,800.00	Yes
22/May/08	Murphy, Ethan	George's Lake	2008-50-109	3,957.13	4,582.13	Yes
05/Jun/08	Newell, Tony	Bonne Bay Big Pond	2008-50-119	1,475.00	2,100.00	Yes
27/May/08	Newhook, Richard	Thorburn Lake Cottage Area	2008-30-108	4,467.30	5,092.30	Yes
13/May/08	Nichols, Ralph	Howley Cottage Area	2008-50-112	2,961.54	3,586.54	Yes
02/May/08	Noel, Robert	Badger Lake	2008-40-107	1,952.72	2,577.72	
28/May/08	Noseworthy, Gary	Old Man's Pond Cottage Area	2008-20-133	3,265.63	3,890.63	
23/Apr/08	Parsons, Perry	Brigus South	2007-10-141	8,228.00	8,853.00	
13/Jun/08	Parsons, Samuel	Valley Road Cottage Area	2008-20-140	2,426.00	3,051.00	Yes
27/May/08	Peckford, Rodney	Pinchgut Lake	2008-50-124	750.00	1,375.00	Yes
30/Jun/08	Pieroway, Rod	Howley Cottage Area	2008-50-131	2,961.54	3,586.54	Yes
13/Jun/08	Pike, Lesa	Bonne Bay Big Pond	2008-50-118	550.00	1,175.00	Yes
28/Apr/08	Pitcher, Mary	Mansfield Pond Cottage Area	2008-20-120	3,106.34	3,731.34	
13/May/08	Pittman, Loretta	Howley Cottage Area	2008-50-113	2,961.54	3,586.54	Yes
13/May/08	Pittman, William	Howley Cottage Area	2008-50-114	2,961.54	3,586.54	Yes
04/Jun/08	Porter, Barry	Indian Arm Pond Cottage Area	2008-40-111	1,735.74	2,360.74	Yes
16/Jun/08	Pretty, Chris	Whelan's/Ryans Pond Cottage Area	2008-20-143	2,862.30	3,487.30	
28/May/08	Rideout, Reuben	Salmonier Line	2008-20-134	575.00	1,200.00	
28/May/08	Sheppard, Myron	Howley Cottage Area	2008-50-125	2,961.54	3,586.54	Yes
26/Jun/08	Small, William	Bunyans Cove Road Cottage Area	2008-30-112	4,119.75	4,744.75	
09/Jun/08	Smith, Paul	Thorburn Lake Cottage Area	2008-30-110	4,467.30	5,092.30	
28/May/08	Snelgrove, Roger	Ocean Pond	2008-20-137	1,550.00	2,175.00	
24/Jun/08	Sooley, Cecil	Placentia Junction	2008-20-145	2,877.34	3,502.34	
28/Apr/08	Spearns, Terrie	Mahers Cottage Area	2008-20-119	1,906.85	2,531.85	

CIAC QUARTERLY ACTIVITY REPORT
Second Quarter 2008

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (within Residential Planning Area)						
16/Jun/08	Storegjerde, Dag	The Pond That Feeds The Brook	2008-20-144	5,101.43	5,726.43	Yes
16/May/08	Taylor, Ernest	North West Brook Cottage area	2008-31-102	5,489.58	6,114.58	Yes
04/Apr/08	Tilley, David	Governor's Park (Salmonier Line)	2008-20-116	750.00	1,375.00	Yes
22/May/08	Warren, Keith	Pinchgut Lake	2008-50-120	300.00	925.00	Yes
28/May/08	Wilson, Patrick	Nine Mile Road Cottage area	2008-20-131	3,475.74	4,100.74	
20/Jun/08	Winter, Bruce	Howley Cottage Area	2008-50-127	2,961.54	3,586.54	
13/May/08	Young, John Thomas	Howley Cottage Area	2008-50-116	2,961.54	3,586.54	Yes
GENERAL SERVICE						
16/Apr/08	1322803 Alberta Inc.	Glovertown (cabinet manufacturer)	2008-41-109	1,194.00	4,500.00	Yes
30/Jun/08	Canadian Coast Guard	St. Lawrence (communications site)	2008-31-100	7,194.00	13,650.00	Yes
22/May/08	DTK Agriculture Ltd.	Deer Lake (mink farm)	2008-50-117	22,530.00	29,525.00	
08/May/08	Harbour Authority of Old Perlican	Old Perlican (wharf service)	2008-20-106	3,330.00	3,330.00	
29/May/08	Lemuel White	Lewisporte (office building)	2008-40-110	6,025.00	8,900.00	
13/May/08	PDI Production Inc.	Cape St. George (oil drilling site)	2008-51-105	28,776.20	36,701.00	Yes
02/May/08	Penkel Enterprises Ltd.	Brigus Junction (recreational park)	2008-20-122	1,650.00	6,050.00	Yes
02/May/08	Steele Communications	Corner Brook (communications tower)	2008-50-108	11,331.00	12,189.00	
18/Apr/08	Town of Bay Roberts	Bay Roberts (industrial park)	2008-20-114	49,685.00	55,185.00	

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
P.O. Box 8910
St. John's, NL A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

November 13, 2008

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

Enclosed are nine (9) copies of Newfoundland Power Inc.'s Quarterly Regulatory Report for the quarter ending September 30, 2008.

The report is divided into five sections: Quarterly Summary; Capital Expenditure Progress; Inter-Company Transactions; Customer Property Damage Claims; and Contribution In Aid of Construction Activity.

In Order No. P.U. 32(2007), the Board ordered Newfoundland Power to provide, as part of its quarterly reporting, updates on (1) the progress of its retail customer rate review, and (2) the status of the Accounting Standards Board's consideration of the transition to International Financial Reporting Standards. Updates on these matters are provided under the headings *Customer Service* and *Financial Matters*, respectively, in the Quarterly Summary in Section 1 of the report.

If you have any questions on the enclosed, please contact the undersigned at the direct number noted below.

Yours very truly,

Gerard Hayes
Senior Counsel

Enclosures

c. Geoffrey P. Young
Newfoundland & Labrador Hydro

Quarterly Regulatory Report

For The Period Ended

September 30, 2008

QUARTERLY REGULATORY REPORT

FOR THE PERIOD ENDED

September 30, 2008

INDEX	TAB
Quarterly Summary	1
Capital Expenditure Progress	2
Inter-Company Transactions	3
Customer Property Damage Claims	4
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1. Highlights

Highlights	3rd Quarter			Annual
	Actual 2008	Plan 2008	Actual 2007	Plan 2008
Customer Satisfaction (%)	89	89	87	89
Electricity Delivery [1]				
Electricity Sales (GWh)	896.8	896.2	874.0	5,215.1
Peak Demand (MW) [2]	1,188.0	1,219.8	1,171.8	1,219.8
Customer Minutes of Outage [3]	9.6	6.4	7.9	39.6
Revenue ($millions)	94.1	94.3	89.3	518.9
Earnings ($millions) [4]	8.1	7.9	2.7	31.7

- 3rd quarter customer satisfaction was 89%.
- 3rd quarter reliability performance was satisfactory.
- 3rd quarter financial performance was consistent with plan.

1 Weather adjusted.
2 Peak demand for the 2007/2008 winter period occurred on January 22, 2008 at 5:45 p.m.
3 In millions of minutes, excluding Hydro related interruptions.
4 Earnings applicable to common shares.

2. Customer Service

Customer Service Performance (%)	Year to Date			Annual
	Actual 2008	Plan 2008	Actual 2007	Plan 2008
Customer Satisfaction	89	89	88	89
First Call Resolution [1]	88	87	87	87
Service Level [2]	80	80	80	80
Trouble Call Response [3]	90	85	90	85

[1] Percent of customer calls resolved on first contact.
[2] Percent of customer calls answered within 40 seconds.
[3] Percent of call response within two hours.

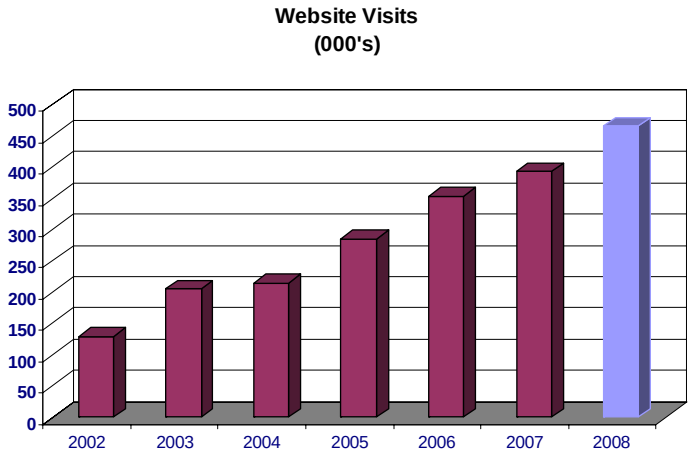
Customer Satisfaction

Customer Satisfaction was 89% in the 3rd quarter and 89% year to date.

Website Usage

Usage of the Newfoundland Power website has increased over the past five years. To the end of 2008, we anticipate 450,000 web visits will have occurred.

In 2008 we have seen an increase in the number of customers viewing the Energy Management pages of the website. During the third quarter an average of 3,200 visits to this section occurred per month, up from 2,500 per month during the first and second quarters of the year.



eBills Promotion

During August and September, we ran a promotional campaign to increase our eBills participation. We offered new account holders the chance to win an iPod Touch if they signed up for eBills. During the contest period, we increased eBills participation by 826 customers. Each eBills customer saves us approximately $7.00 per year in postage, paper and processing costs.

Customer Service Improvements

The enhancement of the Government Retest Order (GRO) process completed in the second quarter revealed a backlog of required meter replacements. During the third quarter we were able to complete many of the outstanding replacements. The remaining 2008 GROs will be completed during the fourth quarter.

We improved the functionality of our outage communications system during the quarter. The changes permit system control operators to post generic outage messages quickly. This informs customers that the Company is aware of the outage before the investigation of specific outage circumstances is completed.

Energy Conservation

In late September the Company received a formal invitation from the Minister of Natural Resources to participate in the Provincial Government's Energy Conservation and Efficiency Partnership. Newfoundland Power had been participating on an *ad hoc* basis. The Company has appointed Lorne Henderson as Newfoundland Power's representative.

Change of Hours for the Contact Centre

Beginning June 30th, the Contact Centre changed its hours of operation from 8:00 a.m. to 6:00 p.m. to 8:00 a.m. to 5:00 p.m. The volume of calls received during the 5 to 6 p.m. hour had been very low in comparison to the other hours of the day making it an unproductive time for staff. There has been no customer reaction to the change.

Retail Rate Review

In accordance with the 2008 GRA Settlement Agreement, Newfoundland Power is conducting an evaluation of its existing rate designs and a review of alternative rate designs to determine their appropriateness for billing customers (the "Retail Rate Review"). In Order No. P.U. 32 (2007) (the "2008 General Rate Order"), the PUB ordered the Company to provide updates on the progress of the Retail Rate Review as part of its quarterly reporting.

In accordance with the Rate Design Report Study Plan, the Company has substantially completed the review of standard rate designs and the development of alternative rate structures.

3. System Performance

A. Reliability

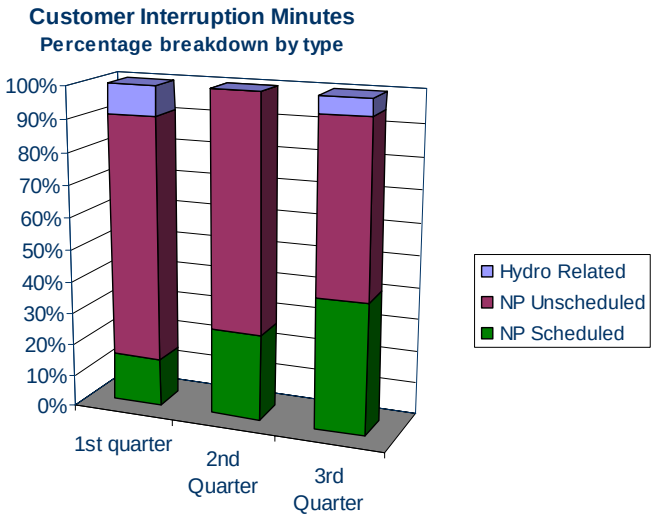
System Reliability [1]	Year to Date		Annual
	Actual 2008	Actual 2007	Plan 2008
Customer Minutes of Outage [2]	24.8	26.6	39.6
SAIDI (Outage hours per customer)	1.83	1.99	2.94
SAIFI (Outages per customer)	1.56	1.60	2.44

1 Excludes Hydro related interruptions.
2 In millions of minutes.

System reliability was satisfactory during the 3rd quarter.

Total customer outage minutes to the end of the third quarter are consistent with plan.

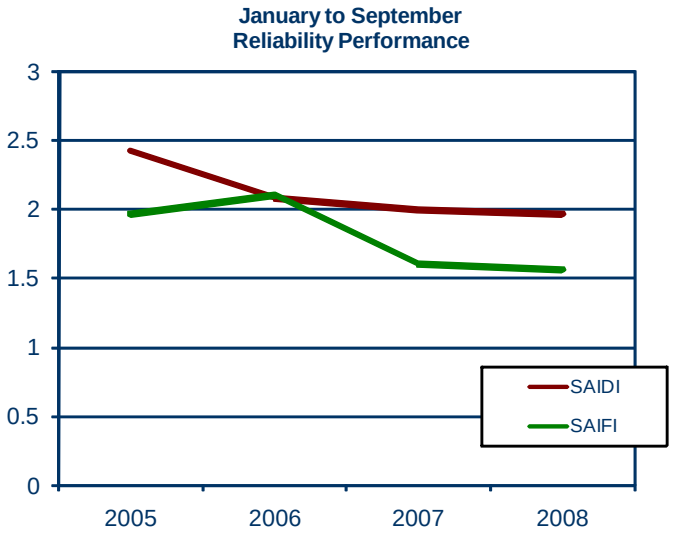
Minutes associated with unscheduled outages accounted for 63 percent of the total minutes this quarter, down from 73 percent in the 2nd quarter. Approximately 3.1 million outage minutes were associated with Newfoundland Power's scheduled maintenance in the 3rd quarter. This compares with approximately 1.9 million customer minutes in the 2nd quarter which are attributed to scheduled outages. This quarter over quarter increase is reflective of the seasonality of construction.



The significant unplanned power interruptions during the 3rd quarter included:

1. *July 4*: A broken insulator caused an outage to 8,438 customers on the Bonavista Peninsula for a total of 882,418 customer minutes.
2. *July 16*: A pole fire caused an outage to 2,114 customers in the Gander Bay area for a total of 322,846 customer minutes.
3. *July 29*: The Cat Arm Generating station tripped off-line causing an under-frequency trip affecting 43,768 customers.

4. *July 30*: Lightning caused a bus lockout at the Bayview Substation resulting in an outage to 4,592 customers in the Corner Brook and North Shore Bay of Islands areas totaling 518,399 customer minutes.
5. *August 21*: A broken cutout caused an outage to 1,819 customers in the Fermeuse – Cape Broyle area for a total of 397,723 customer minutes.
6. *August 31:* Lightning caused a fault on 124L between Gambo and Alexander Bay resulting in an outage to 2,298 customers in the Glovertown area for a total of 565,308 customer minutes.



Both the frequency and duration of outages were better than plan year-to-date. SAIDI and SAIFI results through September for each of the past four years are shown on the chart above.

Construction of one of the wind turbines at St. Lawrence.

B. Electricity Supply

Electricity Supply	3rd Quarter			Annual
	Actual 2008	Plan 2008	Actual 2007	Plan 2008
Energy Purchased (GWh)	845.0 [1]	891.1	834.4 [1]	5,099.9
Peak Demand (MW) [2, 3]	1,188.0	1,219.8	1,171.8	1,219.8
Hydro Plant Production (GWh)	354.0	308.4	281.6	425.8
Plant Availability (%)	92.6	95.0	96.0	95.0

[1] Not weather adjusted.
[2] Weather adjusted.
[3] Peak demand for the 2007/2008 winter period occurred on January 22, 2008 at 5:45 p.m.

Energy purchased was 46.1 GWh lower than plan for the quarter primarily due to higher than expected production at the Company's hydro facilities. Higher than normal water inflows into the Company's reservoirs on the Avalon resulted in a 12 per cent increase in hydro production. In addition, the Rattling Brook plant, which was out of service for most of 2007, experienced high water storage levels at the beginning of 2008, which contributed to a 10 GWh increase in production at this plant.

Hydro plant availability was lower than plan during the 3rd quarter due to several unplanned outages. Availability was primarily impacted by issues at three plants. At the Tors Cove plant, a faulty breaker and high humidity caused the units to be unavailable until the breaker was repaired and humidity levels returned to normal. At Seal Cove plant, a governor component faulted and required replacement and at Lawn plant, the penstock repairs impacted availability. In total, there have been 197 forced outages year-to-date 2008 in comparison to 159 for the same period in 2007.

Installation of the power transformer at the Pierre's Brook substation.

4. Financial Matters

Financial Highlights	3rd Quarter			Annual
	Actual 2008	Plan 2008	Actual 2007	Plan 2008
Revenue ($millions)	94.1	94.3	89.3 [1]	518.9
Purchased Power Costs ($millions)	50.5	50.5	58.8	337.2
Operating Costs ($millions) [2]	10.3	10.9	10.3	47.7
Operating Cost per Customer ($) [3]	155	159	154	212
Earnings ($millions) [4]	8.1	7.9	2.7	31.7

[1] Restated to reflect the reclassification of interest income on customer accounts from Finance Charges to Other Revenue.
[2] Excluding pension and early retirement program costs.
[3] The 3rd Quarter Operating Cost per Customer ($) is on a year to date basis.
[4] Earnings applicable to common shares.

Financial Results

Revenue from electricity sales, purchased power costs, operating costs and earnings for the 3rd quarter of 2008 are broadly consistent with plan.

Operating Cost per Customer

Operating cost per customer is slightly below plan due to quarterly timing of operating expenditures and an increase in the number of customers relative to plan. The number of customers in 2008 is 1.4% higher than 2007 in comparison to a 1.0% increase reflected in the plan.

Collective Bargaining

During the 3rd quarter, the company's negotiation team completed its review of the workforce and contract issues. The team also completed negotiations training sessions with their union counterparts. Negotiations begin the week of October 14.

International Financial Reporting Standards

On September 28, 2008, the International Accounting Standards Board (the "IASB") published an *Exposure Draft* of proposed *Exemptions for First-Time Adopters: Amendments to IFRS1*. The *Exposure Draft* provides guidance for financial statement presentation of historical information and appears in line with Company expectations. Comments on the contents of the *Exposure Draft* are required by the IASB by January 23, 2009.

On August 27, 2008 the American Securities Exchange Commission issued proposed rule changes to permit the use of International Financial Reporting Standards ("IFRS") for certain U.S. issuers of securities. The proposed rule changes included a proposed timetable for mandatory transition to IFRS for U.S. securities issuers for fiscal years ending on or after December 15, 2014.

5. Capital Program

2008 Capital Expenditures	Year To Date		Annual
	Actual	Plan	Plan [1]
Total ($000s)	44,378	36,954	55,087

[1] Annual plan includes supplemental approval of $886,000 for the replacement of a transformer at the Pierre's Brook substation, $1,930,000 for the St. John's downtown civil work, $1,503,000 for the interconnection of two wind farms to the island interconnected system as well as carry forward projects from 2007 for the Rattling Brook Hydro Plant Refurbishment ($185,000) and the Kenmount Road building HVAC system ($579,000). The unexpended portion of the allowance for unforeseen items of $750,000 is excluded from the annual plan.

2008 Capital Expenditures

The year-to-date actual expenditures are above plan largely as a result of higher than plan expenditures in the Distribution class. An increase in new customer connections of 20% over plan and a 23% unit cost increase in distribution transformers are the primary reasons for the increased 2008 Distribution capital expenditure.

Major capital projects which progressed during the 3rd quarter include:

- The project to rebuild a section of 111L on the Bonavista Peninsula was completed, and the 20L rebuild project, from Mobile to Rocky Pond is ongoing.
- The West Coast 33kV to 66 kV Conversion project is compete, reducing system losses by 0.5 GWh annually.
- The NeWind wind farm in St. Lawrence is in the final stages of commissioning. The interconnection of the SkyPower wind farm to the Fermeuse substation is underway.
- The installation of the Pierres Brook transformer is complete.
- The Mount Carmel Pond Dam project is complete, and the Whirlpond Dam project is ongoing and is scheduled to be completed in Q4.

6. Safety & Environment

A. Safety

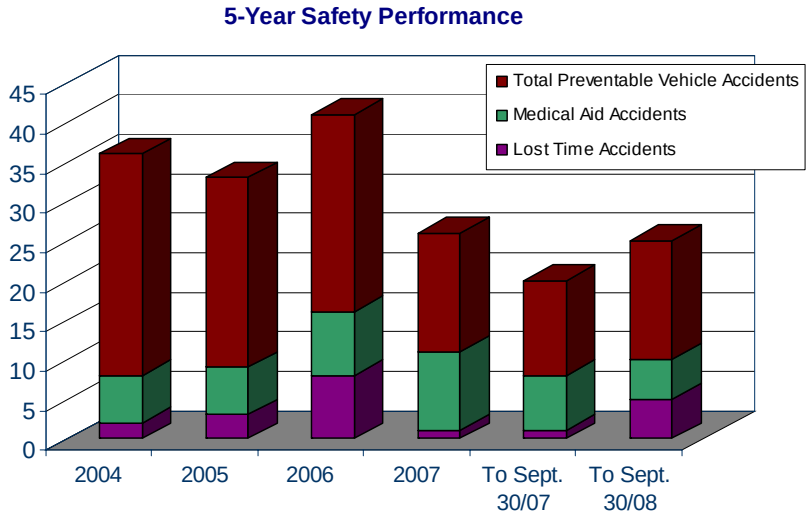
Safety Performance	Year to Date		Annual
	Actual 2008	Actual 2007	Plan 2008
Injury Frequency Rate [1]	2.4	1.9	1.9

[1] Injuries per 200,000 hours worked.

Safety Performance

One Medical Aid and one Lost Time injury occurred in the 3rd quarter. The total number of injuries year-to-date is ten compared to eight for the same period in 2007. Our all-injury frequency rate is now 2.4 compared to 1.9 on September 30, 2007. The number of days lost due to injury totaled 286 days which is up significantly from the 9 months to September 30, 2007 when only 4 days were lost. No Lost Time injury resulting from electrical contact has occurred in the first 9 months of 2008.

There were five preventable vehicle accidents during the quarter which is up from the three reported during the 2nd quarter. To the end of September, a total of fifteen preventable vehicle accidents have occurred; equal to that which occurred during the entire year of 2007.



Of the five lost-time injuries to date in 2008, four have involved Meter Readers. This group also accounts for 50 percent of the total medical injuries this year, 224 of the 286 total days lost, and 9 of the 15 motor vehicle accidents. The Company is now reviewing the Meter Reading function in relation to safety practices.

Worker Protection

A new Work Permit system was implemented during the quarter. This application ensures that a work permit is in place prior to the commencement of high voltage field work (over 750 volts). The system will ensure that all risks are considered before the work is started including communications, tailboard meetings and the completion of all safety requirements such as temporary system conditions and protection guarantees.

Health & Safety Audits

The Company's first safety compliance audit was conducted during July and August by AMEC Earth & Environment. While the primary purpose of the audit was to assess the Company's adherence to its legal requirements related to health and safety, it will also identify opportunities for improvement related to best practices in the industry. The final report is due in late October.

On September 16, two PRIME Audits were conducted by the Workplace Health Safety & Compensation Commission. The audits determined that the Company met all established criteria and therefore maintains its eligibility for the 5% rebate on WHSCC premiums for 2006 and 2007.

Contractor Safety

A *near-miss* incident involving a pole installation contractor occurred during the 3rd quarter. On August 18, two workers on the ground who were setting a pole in an energized 7.2 kV distribution line received a minor shock when an electrical insulating cover on the pole shifted causing an unprotected portion of the pole to make contact with the energized line. The shock did not result in injury for either of the workers. The Company reported the incident to the Occupational Health & Safety Division and launched an investigation. A moratorium has been placed on the setting of poles by hand in energized power lines pending the outcome of the investigation and a review of standard work methods.

Public Safety

There was one electrical incident involving the public reported during the 3rd quarter. On August 19 an employee working for Aliant in the Port Blanford area received a minor shock when he climbed a ladder to access communications cables attached to a Newfoundland Power pole and inadvertently caused some tree branches to make contact with the power line above. The worker was uninjured. The incident was reported and a crew was dispatched immediately to trim back the trees in the area.

The public safety awareness program continued during the quarter consisting of a series of TV, radio and newspaper advertisements targeted towards summer safety for children around substations and hydro plants as well as the dangers of tree trimming in close proximity to power lines.

Safety Milestones

Two departments achieved significant milestones during the 3rd quarter. In August, Grand Falls Area employees attained seven years without a Lost Time injury. Also in August, the Generation Department reached two years without a Lost Time Injury.

B. Environment

Environment Performance	Year to Date		Trend
	Actual 2008	Actual 2007	2008
Number of Spills	49	59	70
Spills Greater than 50 mg/kg PCB	1 [1]	2	2
Volume of Oil Spills (Litres)	711	1435	1,050

[1] The actual spills greater than 50 mg/kg PCB was reported as 2 in the 2nd quarter reporting due to the uncertainty of a spill analysis. The lab results have since indicated that the spill was less than 50 mg/kg PCB.

The number of spills to the end of September 2008 is approximately 16 percent lower than during the same period in 2007.

Environmental training was provided to approximately 126 employees in the 3rd quarter bringing the total to 521 participants year-to-date. In addition to Company employees, 124 contractor employees performing work on behalf of the Company were trained during the 3rd quarter.

In mid-September, Environment Canada published its PCB regulations imposing deadlines on the elimination of all PCBs and PCB-containing material currently in storage, and requiring all other PCBs to be phased out. New provisions have also been added for the tracking and disposal of PCB contaminated equipment currently in service, as well as additional restrictions on PCB usage. Newfoundland Power does not anticipate any compliance difficulties with the regulation changes.

A completed environmental clean-up near a private fish pond in Port de Grave.

7. Community

Learn Not to Burn Vehicle

In July we donated our third vehicle to the *Learn Not to Burn* program. A Mitsubishi Endeavour was presented to Mr. Everett Pitts, Coordinator of the Newfoundland and Labrador Association of Fire Services *Learn Not to Burn* program, at their annual convention held in Gander. This vehicle provides a safe and reliable way for Mr. Pitts to visit schools throughout the province to deliver important safety messages and is a travelling billboard that promotes the program as well as Newfoundland Power's sponsorship.

Bob Pike presents a new Learn Not to Burn vehicle to Mr. Everett Pitts.

The Garden of Hope

On September 14, twelve members of our Electrical Maintenance team volunteered their time to install new lighting in *The Garden of Hope* at the Dr. H. Bliss Murphy Cancer Centre. The original lighting was destroyed by vandals on July 17. This lighting system helps to brighten the spirits of cancer patients and their families, and also provides a sense of security for the hospital.

The Power of Life Project

The *PRIORITY-The Campaign for Cancer Care* has been a huge success. The new CT Simulators have been ordered and the new radiation rooms are up and running. Newfoundland Power has been a part of this project through the donation of $350,000 from *The Power of Life Project*. As well Earl Ludlow serves as Chair of the campaign. The grand opening was held at the Cancer Centre on October 8th.

Volunteers restore the lighting system at the Cancer Centre's Garden of Hope.

The Clarenville Area Employees' Association held a golf tournament on Saturday, September 13. Eighteen teams took to the greens and raised a total of $4,500 for cancer care in this province.

Partners for Life

Newfoundland Power was honoured with a national award at the 9th annual Canadian Blood Services "Honouring our Lifeblood" event held in Ottawa in September. The award recognized employees for their dedication to Canada's Blood System and the Company's commitment as a corporate *Partner for Life*.

Grand Falls–Windsor Rotary Community Park

As part of our on-going commitment to community and the environment, we have entered into a partnership with the Rotary Club of Grand Falls-Windsor to help construct a slate walkway in the new Rotary Community Park leading to the children's playground.

FINANCIAL STATEMENTS

NEWFOUNDLAND POWER INC.
BALANCE SHEETS
As At September 30
($000s)

	2008	2007 [1]
Capital Assets		
Property plant and equipment	1,209,121	1,171,447
Less: accumulated depreciation	443,128	427,022
	765,993	744,425
Current Assets		
Cash	474	15,167
Accounts receivable	43,792	44,866
Income tax receivable	-	598
Materials and supplies	815	917
Prepaid expenses	1,472	1,613
Regulatory assets	8,476	(293)
	55,029	62,868
Deferred Charges	92,530	86,861
Regulatory Assets	56,048	60,948
Customer Finance Plans	1,795	1,801
Total Assets	**971,395**	**956,903**
Shareholders' Equity		
Common shares	70,321	70,321
Retained earnings	299,324	279,923
Common shareholder's equity	369,645	350,244
Preference shares	9,352	9,352
	378,997	359,596
Current Liabilities		
Bank indebtedness	-	-
Short-term borrowings	875	-
Accounts payable and accrued charges	40,415	41,895
Income tax payable	6,074	-
Current portion of long-term debt	4,550	36,420
Due to related party	-	-
Regulatory liabilities	7,106	728
	59,020	79,043
Future Income Taxes	856	-
Long-term Debt	433,110	410,492
Other Liabilities	42,757	35,983
Regulatory Liabilities	56,655	71,789
Total Shareholders' Equity and Liabilities	**971,395**	**956,903**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS
For The Periods Ended September 30
($000s)

	THIRD QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2008	Plan 2008	Actual 2007 [1]	Actual 2008	Plan 2008	Actual 2007 [1]	Plan 2008	Actual 2007 [1]
Revenue	94,132	94,330	89,260	377,897	379,227	359,142	518,920	491,709
Purchased Power	50,513	50,468	58,797	242,413	243,605	238,784	337,159	326,778
Contribution	43,619	43,862	30,463	135,484	135,622	120,358	181,761	164,931
Operating Expenses	10,271	10,880	10,276	35,073	35,665	34,198	47,700	47,501
Pension Costs	509	573	1,139	1,478	1,656	3,314	2,220	4,439
Early Retirement Program Costs	282	282	282	846	846	980	1,128	1,262
Depreciation	10,026	9,689	7,377	30,399	29,994	29,403	40,208	39,955
Regulatory Deferral	966	931	(1,061)	2,897	2,881	(4,239)	3,862	(5,793)
Finance Charges	8,333	8,670	8,935	25,399	26,162	26,179	34,772	34,939
Income Before Income Taxes	13,232	12,837	3,515	39,392	38,418	30,523	51,871	42,628
Income Taxes	4,939	4,839	703	14,555	14,484	8,913	19,568	12,176
Net Earnings	8,293	7,998	2,812	24,837	23,934	21,610	32,303	30,452
Dividends on Preference Shares	147	147	147	407	439	440	586	586
Earnings Applicable to Common Shares	**8,146**	**7,851**	**2,665**	**24,430**	**23,495**	**21,170**	**31,717**	**29,866**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF RETAINED EARNINGS
For The Periods Ended September 30
($000s)

	2008	2007
Balance, Beginning of the Period	286,350	265,566
Net Earnings	24,837	21,610
Dividends		
Preference Shares	(407)	(440)
Common Shares	(11,456)	(6,813)
Balance, End of the Period	**299,324**	**279,923**

NEWFOUNDLAND POWER INC.
STATEMENTS OF CASHFLOWS
For The Periods Ended September 30
($000s)

	2008	2007 [1]
Cash From (Used In) Operating Activities		
Net earnings	24,837	21,610
Items not affecting cash:		
Amortization of capital assets	30,399	29,403
Amortization of deferred charges	223	237
Change in regulatory assets amd liabilities	1,461	1,257
Future income taxes	856	-
Accrued employee future benefits	(3,723)	(5,620)
Change in non-cash working capital	7,241	(7,737)
	61,294	39,150
Cash From (Used In) Investing Activities		
Capital expenditures (net of salvage)	(47,184)	(53,146)
Long-term portion of finance programs	16	(74)
Contributions from customers and security deposits	2,319	1,900
	(44,849)	(51,320)
Cash From (Used In) Financing Activities		
Change in short-term borrowings	875	(320)
Proceeds from long-term debt	28,500	70,000
Repayment of long-term debt	(34,500)	(34,431)
Proceeds from related party loan	32,500	-
Repayment of related party loan	(32,500)	-
Payment of bond issue costs	-	(258)
Payment of credit facility fees	(50)	-
Redemption of preferred shares	-	(1)
Dividends		
Preference shares	(407)	(440)
Common shares	(11,456)	(6,813)
	(17,038)	27,737
Change in Cash	(593)	15,567
Cash (Bank Indebtedness), Beginning of the Period	1,067	(400)
Cash, End of the Period	**474**	**15,167**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

APPENDICES

NEWFOUNDLAND POWER INC.
ELECTRICITY STATISTICS
For The Periods Ended September 30

	THIRD QUARTER		YEAR TO DATE		ANNUAL
	2008	2007	2008	2007	2007
Sales (GWh)					
Actual	868.9	862.2	3,766.3	3,679.8	5,070.3
Weather adjusted	896.8	874.0	3,796.0	3,709.2	5,092.8
Plan [1]	896.2		3,802.2		
Produced & Purchased (GWh)					
Actual	914.6	907.0	3,990.5	3,898.3	5,370.6
Weather adjusted	944.0	919.4	4,021.8	3,929.3	5,394.5
Plan [1]	943.4		4,028.2		
Hydro Production (GWh)					
Actual	68.9	72.6	354.0	281.6	379.5

[1] Based on Customer and Energy Sales Forecast dated August 31, 2007.

NEWFOUNDLAND POWER INC.
STATEMENTS OF ELECTRICITY SOLD (GWh)
For The Periods Ended September 30

WEATHER ADJUSTED

	THIRD QUARTER			YEAR TO DATE			ANNUAL	
BY SALES CATEGORY	**Actual 2008**	**Plan 2008**	**Actual 2007**	**Actual 2008**	**Plan 2008**	**Actual 2007**	**Plan 2008**	**Actual 2007**
Residential	453.4	456.0	436.9	2,248.1	2,253.5	2,188.1	3,130.8	3,044.4
Commercial								
0-10 kW	17.3	19.0	17.7	65.9	70.9	67.8	95.8	90.9
10-100 kW	123.2	125.1	122.6	476.2	480.0	467.2	647.4	629.2
110-1000 kVA	183.4	180.5	180.6	653.2	648.1	642.4	875.3	864.5
1000 kVA and Over	111.5	107.6	108.3	327.5	324.7	318.8	429.6	427.6
Total Commercial	435.4	432.2	429.2	1,522.8	1,523.7	1,496.2	2,048.1	2,012.2
Street Lighting	8.0	8.0	7.9	25.1	25.0	24.9	36.2	36.2
Total Calendar Basis Sales	**896.8**	**896.2**	**874.0**	**3,796.0**	**3,802.2**	**3,709.2**	**5,215.1**	**5,092.8**
BY REGION								
Eastern [1]	627.5	628.3	611.3	2,668.7	2,685.5	2,621.4	3,681.3	3,590.9
Western [2]	269.3	267.9	262.7	1,127.3	1,116.7	1,087.8	1,533.8	1,501.9
Total	**896.8**	**896.2**	**874.0**	**3,796.0**	**3,802.2**	**3,709.2**	**5,215.1**	**5,092.8**

[1] Eastern Region includes the St. John's, Avalon, Burin and Clarenville operating areas.
[2] Western Region includes the Gander, Grand Falls - Windsor, Corner Brook and Stephenville operating areas.

NEWFOUNDLAND POWER INC.
STATEMENTS OF REVENUE
For The Periods Ended September 30
($000s)

WEATHER ADJUSTED

BY SALES CATEGORY	THIRD QUARTER Actual 2008	THIRD QUARTER Plan [1] 2008	THIRD QUARTER Actual 2007	YEAR TO DATE Actual 2008	YEAR TO DATE Plan [1] 2008	YEAR TO DATE Actual 2007	ANNUAL Plan [1] 2008	ANNUAL Actual 2007
Residential	47,559	47,861	44,492	218,598	219,158	205,003	303,191	284,113
Commercial								
0-10 kW	2,408	2,593	2,498	8,727	9,245	8,980	12,452	12,043
10-100 kW	12,295	12,315	12,384	46,663	46,636	45,966	63,201	62,237
110-1000 kVA	15,296	15,175	14,961	54,051	53,921	52,512	73,188	70,946
1000 kVA and Over	7,916	7,683	7,571	23,547	23,161	22,233	30,782	29,880
Total Commercial	37,915	37,766	37,414	132,988	132,963	129,691	179,623	175,106
Street & Area Lighting	3,178	3,161	3,055	9,538	9,472	9,146	12,642	12,214
Forfeited Discounts	437	493	429	2,059	2,164	2,043	2,770	2,621
Revenue From Rates	**89,089**	**89,281**	**85,390**	**363,183**	**363,757**	**345,883**	**498,226**	**474,054**
Energy Supply Cost Variance [2]	17	-	-	(214)	-	-	-	-
RSA Shortfall [3]	-	-	195	-	-	2,381	-	3,044
2008 Income Tax True-up [4]	-	-	-	(560)	-	-	-	-
Amortizations [5]								
2005 Unbilled Income Tax Settlement	648	625	497	1,944	1,934	1,986	2,592	2,714
2005 Unbilled Remaining Balance	1,155	1,113	-	3,464	3,445	-	4,618	-
Total Reported Revenue	**90,909**	**91,019**	**86,082**	**367,817**	**369,136**	**350,250**	**505,436**	**479,812**
Other Revenue [6]	3,223	3,311	3,178	10,080	10,091	8,892	13,484	11,897
Total Operating Revenue	**94,132**	**94,330**	**89,260**	**377,897**	**379,227**	**359,142**	**518,920**	**491,709**

[1] Based on sales forecast dated August 31, 2007 and rates effective January 1, 2008 as approved by Order No. P.U. 32(2007).

[2] Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).

[3] Adjustment to Revenue to reflect matching of revenue and purchase power expense resulting from Hydro's January 1, 2007 rate change approved in Order No. P.U. 42(2006).

[4] Reduction in revenue to reflect the 2008 Test Year Income Tax True-up as filed in the Company's application on February 29, 2008.

[5] Revenue amortizations as approved in Order No. P.U. 39(2006) & Order No. P.U. 32(2007).

[6] Restated to reflect the reclassification of interest income from Finance Charges to Other Revenue.

NEWFOUNDLAND POWER INC.
SUMMARY OF WEATHER ADJUSTMENTS
For The Periods Ended September 30
($000s)

	THIRD QUARTER			YEAR TO DATE			ANNUAL	
REVENUE FROM ELECTRICITY SALES	**Actual 2008**	**Plan [1] 2008**	**Actual 2007**	**Actual 2008**	**Plan [1] 2008**	**Actual 2007**	**Plan [1] 2008**	**Actual 2007**
Actual	86,757	89,281	84,433	360,711	363,757	343,551	498,226	472,233
Degree Day & Wind Adjustment	2,332	-	957	2,472	-	2,332	-	1,821
Weather Adjusted	**89,089**	**89,281**	**85,390**	**363,183**	**363,757**	**345,883**	**498,226**	**474,054**
Energy Supply Cost Variance [2]	17	-	-	(214)	-	-	-	-
2007 RSA Shortfall [3]	-	-	195	-	-	2,381	-	3,044
2008 Income Tax True-up [4]	-	-	-	(560)	-	-	-	-
Amortizations [5]								
2005 Income Tax Settlement	648	625	497	1,944	1,934	1,986	2,592	2,714
2005 Unbilled Remaining Balance	1,155	1,113	-	3,464	3,445	-	4,618	-
Total Reported Revenue	**90,909**	**91,019**	**86,082**	**367,817**	**369,136**	**350,250**	**505,436**	**479,812**
PURCHASED POWER EXPENSE								
Actual	45,630	49,989	44,659	233,743	242,123	232,036	335,173	324,247
Degree Day & Wind Adjustment	2,586	-	1,092	2,754	-	2,729	-	2,101
Hydro Equalization Adjustment	1,459	-	2,994	4,014	-	406	-	11
Purchased Power Weather Adjusted	**49,675**	**49,989**	**48,745**	**240,511**	**242,123**	**235,171**	**335,173**	**326,359**
Rattling Brook Deferral 2007 [6]	-	-	(579)	-	-	(1,256)	-	(1,795)
PPUCVR 2007 Timing Adjustment	-	-	10,119	-	-	3,318	-	-
PPUCVR 2007 [7]	-	-	194	-	-	283	-	482
Demand Management Incentive Account [8]	337	-	-	400	-	-	-	-
Amortizations [9]								
Replacement Energy Costs (Rattling Brook)	150	144	-	449	446	-	598	-
PPUCVR Balance at Dec 31, 2006	(171)	(166)	-	(515)	(513)	-	(688)	-
Weather Normalization Reserve	522	501	-	1,568	1,549	-	2,076	-
Hydro Production Reserve 2007 [10]	-	-	318	-	-	1,268	-	1,732
Weather Adjusted	**50,513**	**50,468**	**58,797**	**242,413**	**243,605**	**238,784**	**337,159**	**326,778**

[1] Based on 2008 GRA sales forecast dated August 31, 2007 and rates effective January 1, 2008 as approved by Order No. P.U. 32(2007).

[2] Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).

[3] Adjustment to revenue to reflect matching of revenue and purchase power expense resulting from Hydro's January 1, 2007 rate change approved in Order No. P.U. 42(2006).

[4] Reduction in revenue for the 2nd quarter 2008 to reflect the 2008 Test Year Income Tax True-up as filed in the Company's application on February 29, 2008.

[5] Revenue amortizations as approved in Order No. P.U. 39(2006) & Order No. P.U. 32(2007).

[6] Deferral of Replacement Energy Costs (Rattling Brook) as approved in Order No. P.U. 39(2006).

[7] PPUCVR as approved in Order No. P.U. 44(2004).

[8] Demand Management Incentive Account as approved in Order No. P.U. 32(2007).

[9] Amortizations for 2008 as approved in Order No. P.U. 32(2007).

[10] As approved in Order No. P.U. 19(2003).

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS - DETAIL
For The Periods Ended September 30
($000s)

	THIRD QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2008	Plan 2008	Actual 2007 [1]	Actual 2008	Plan 2008	Actual 2007 [1]	Plan 2008	Actual 2007 [1]
Other Revenue								
Joint Use Revenue								
Aliant	1,745	1,743	1,770	5,236	5,227	5,087	6,970	6,782
CATV	471	522	440	1,409	1,566	1,340	2,090	1,786
Total Joint Use Revenue	2,216	2,265	2,210	6,645	6,793	6,427	9,060	8,568
Miscellaneous								
Customer Jobbing	79	100	253	342	310	478	529	732
Rental Income	6	-	11	20	-	19	-	19
Municipal Tax Liability [2]	341	329	-	1,022	1,017	-	1,362	-
Interest - Customer Accounts	241	268	340	962	978	1,108	1,200	1,477
Interest - RSA	25	-	(32)	78	-	(26)	-	(58)
Interest - CIAC	28	15	25	80	45	65	60	90
Interest - Other	33	33	35	102	99	112	132	146
Reconnections	34	39	22	69	85	53	119	71
NSF Cheque Charges	9	14	4	30	41	15	54	19
Wheeling Charges	135	131	134	471	423	354	567	490
Miscellaneous	(8)	37	96	60	112	96	150	84
Service Connection Fees	84	80	80	199	188	191	251	259
Total Miscellaneous	1,007	1,046	968	3,435	3,298	2,465	4,424	3,329
Total Other Revenue	**3,223**	**3,311**	**3,178**	**10,080**	**10,091**	**8,892**	**13,484**	**11,897**
Finance Charges [3]								
Interest on Long-term Debt	8,106	8,106	8,610	24,317	24,318	24,830	32,334	33,718
Interest on Long-term Committed Credit Facility	344	617	111	1,197	1,877	1,340	2,481	1,437
Interest on Short-term Uncommitted Demand Facility	(1)	-	336	9	-	38	-	38
Amortization of Deferred Debt Issue Costs	59	45	65	177	135	190	178	256
Amortization of Capital Stock Issue Expenses	16	15	16	47	45	47	62	62
Interest on Security Deposits	8	-	13	30	-	38	-	50
Allowance For Funds Used During Construction (AFUDC)	(199)	(113)	(216)	(378)	(213)	(304)	(283)	(622)
Total Finance Charges	**8,333**	**8,670**	**8,935**	**25,399**	**26,162**	**26,179**	**34,772**	**34,939**

[1] Certain comparative figures have been reclassified to conform with current year presentation.
[2] Amortization of the Municipal Tax Liability as approved in Order No. P.U. 32(2007).
[3] Interest Income has been reclassified as Other Revenue for 2008 and 2007 comparative purposes.

NEWFOUNDLAND POWER INC.
CUSTOMER AND EMPLOYEE STATISTICS
As At September 30

	THIRD QUARTER		ANNUAL	
	Actual 2008	**Actual 2007**	**Plan 2008**	**Actual 2007**
Customers	234,226	231,076	234,510	232,262
Employees [1]				
Regular	550	555	555	555
Temporary	75	74	71	72
Total	625	629	626	627

[1] Refers to full time equivalents.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY AREA
For The Periods Ended September 30

	SAIFI					SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR	QUARTER		12 MONTH TO DATE		5 YEAR
	2008	2007	2008	2007	TO DATE	2008	2007	2008	2007	TO DATE
AREA	#	#	#	#	# / YEAR	HOURS	HOURS	HOURS	HOURS	HRS. / YEAR
St. John's	0.19	0.30	3.29	1.68	2.44	0.38	0.25	3.34	1.91	2.48
Avalon	0.46	0.91	1.84	3.15	2.06	0.44	0.70	3.18	3.33	3.05
Burin	1.19	2.22	3.33	3.84	5.13	0.48	1.29	3.32	3.62	4.75
Bonavista	2.51	1.24	8.00	3.91	5.47	2.08	1.61	42.62	6.63	13.01
Gander	1.53	0.57	4.27	3.27	5.02	1.88	0.34	8.14	4.13	6.84
Grand Falls	0.62	0.35	2.28	1.37	2.98	0.70	0.50	2.57	1.95	4.57
Corner Brook	0.63	0.75	3.64	2.12	2.42	0.89	0.86	3.92	2.40	2.81
Stephenville	1.90	1.13	3.71	3.87	4.44	1.10	1.34	2.95	3.74	4.92
Company Totals	**0.94**	**0.67**	**3.44**	**2.44**	**3.11**	**0.76**	**0.62**	**6.31**	**2.88**	**4.12**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended September 30

ORIGIN	SAIFI				
	QUARTER		12 MONTH TO DATE		5 YEAR TO DATE # / YEAR
	2008 #	2007 #	2008 #	2007 #	
Loss of Supply (NF Hydro)	0.27	0.03	1.02	0.31	0.53
Transmission	0.37	0.40	0.77	0.69	0.89
Distribution	0.30	0.24	1.65	1.44	1.69
Company Totals	**0.94**	**0.67**	**3.44**	**2.44**	**3.11**

System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended September 30

ORIGIN	SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR TO DATE HRS. / YEAR
	2008 HOURS	2007 HOURS	2008 HOURS	2007 HOURS	
Loss of Supply (NF Hydro)	0.05	0.03	0.55	0.07	0.25
Transmission	0.33	0.23	0.82	0.59	0.85
Distribution	0.38	0.36	4.94	2.22	3.02
Company Totals	**0.76**	**0.62**	**6.31**	**2.88**	**4.12**

System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BREAKDOWN REPORT
Third Quarter 2008

AREA	SCHEDULED		UNSCHEDULED		TOTAL	
	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS
St. John's	0.11	0.12	0.60	0.26	0.71	0.38
Avalon	0.06	0.10	0.40	0.34	0.46	0.44
Burin	0.12	0.18	1.07	0.30	1.19	0.48
Bonavista	1.03	0.47	1.48	1.61	2.51	2.08
Gander	0.67	0.49	0.86	1.39	1.53	1.88
Grand Falls	0.05	0.11	0.57	0.59	0.62	0.70
Corner Brook	0.04	0.10	0.59	0.79	0.63	0.89
Stephenville	1.71	1.02	0.19	0.08	1.90	1.10
Company Totals	**0.31**	**0.23**	**0.63**	**0.53**	**0.94**	**0.76**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.

CAPITAL EXPENDITURE PROGRESS REPORT

For the Period Ended September 30, 2008

Introduction

The Capital Expenditure Progress Report summarizes the capital expenditures of the various capital accounts of the Company and lists any new lease obligations in excess of $5,000 per year.

The report contains three sections:

1. The Budget section outlines the annual capital expenditure budget approved by the Public Utilities Board for the current year.

2. The Expenditure section outlines actual capital expenditures for the current quarter and year to date, and indicates the balance of the annual capital budget remaining to be expended (difference between annual budget and year to date actual).

3. The Leasing Arrangement section includes a brief description of the item being leased, the leasing period, and the annual and quarterly leasing costs.

NEWFOUNDLAND POWER INC.
CAPITAL EXPENDITURE PROGRESS REPORT
For the Period Ended September 30, 2008
($000s)

	BUDGET	EXPENDITURE [1]		
	Approved by Order No. P.U. 27(2007), P.U 3(2008), P.U. 18(2007) and P.U. 19(2008)	Third Quarter	Year To Date	Unexpended Balance
Generation Hydro	3,385	1,190	2,015	1,370
Generation Thermal	100	16	17	83
Substations	7,177	1,897	5,019	2,158
Transmission	4,978	1,987	3,309	1,669
Distribution	28,566	9,017	26,207	2,359
General Property	977	169	351	626
Transportation	2,214	531	1,812	402
Telecommunications	224	44	89	135
Information Systems	3,502	752	2,780	722
Unforeseen Items	1,150	-	400 [2]	750
General Expenses Capital	2,800	627	1,890	910
TOTAL	55,073	16,230	43,889	11,184

Leasing Arrangements Entered Into			
Brief Description	**Period**	**Annual Cost**	**Quarterly Payments**
	There were no lease obligations in excess of $5,000 annually entered into during the third quarter of 2008.		

[1] Excludes capital expenditures of approximately $489,000 related to prior years capital projects carried forward into 2008.

[2] Year to date expenditures of $400,000 related to Unforeseen Items were previously reported under Substations.

NEWFOUNDLAND POWER INC.

INTER-COMPANY TRANSACTIONS REPORT

For the Period Ended September 30, 2008

Introduction

The Inter-Company Transactions Report summarizes transactions between the Company and related corporations on a quarterly and year-to-date basis. The report itemizes the charges by type and distinguishes between regulated and non-regulated charges. The report also documents any contracts, agreements or loans between Newfoundland Power and any related corporation that were signed in the current quarter.

The report is divided into four sections as follows:

1. The first section aggregates charges from all related corporations and presents a summary, by charge type, for the current quarter and the same period last year, as well as comparable annual charges for the previous year.

2. The second section breaks down the charges ***from*** each individual associated corporation and presents an itemized quarterly summary for the current year and the same period last year, as well as comparable annual charges for the previous year.

3. The third section breaks down the charges ***to*** each individual associated corporation and presents an itemized quarterly summary for the current year and the same period last year, as well as comparable annual charges for the previous year.

4. The fourth section lists any contracts or agreements that were signed between the Company and any related corporation as well as any loans with related corporations. Loan information provided includes the amount of the loan, the date of borrowing and date of repayment, the interest rate, and total interest paid.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Summary of Charges
For The Period Ended September 30, 2008

Charges from Associated Companies

Regulated Charges	Third Quarter 2008	Third Quarter 2007	Year To Date 2008	Year To Date 2007	Annual 2007
Listing & Filing Fees	$ -	$ -	$ -	$ 17,748	$ 17,748
Trustee & Share Plan Costs	8,000	11,244	24,000	79,253	87,322
Hotel/Banquet Facilities	21,365	2,022	30,087	6,403	38,797
Miscellaneous	232	74,659	60,542	106,421	146,177
Sub-total	$ 29,597	$ 87,925	$ 114,629	$ 209,825	$ 290,044

Non-Regulated Charges	Third Quarter 2008	Third Quarter 2007	Year To Date 2008	Year To Date 2007	Annual 2007
Listing & Filing Fees	$ -	$ 8,276	$ -	$ 25,352	$ 37,463
Trustee & Share Plan Costs	-	5,668	-	5,668	9,816
Directors' Fees & Travel	53,000	20,733	162,000	100,988	158,259
Annual & Quarterly Reports	30,000	15,428	91,000	136,585	152,249
Hotel/Banquet Facilities	-	-	-	1,356	1,356
Staff Charges	22,000	-	68,000	-	-
Miscellaneous	46,000	333,876	506,057	364,763	383,085
Sub-total	$ 151,000	$ 383,981	$ 827,057	$ 634,712	$ 742,228
TOTAL	$ 180,597	$ 471,906	$ 941,686	$ 844,537	$ 1,032,272

Charges to Associated Companies

	Third Quarter 2008	Third Quarter 2007	Year To Date 2008	Year To Date 2007	Annual 2007
Printing & Stationery	$ 332	$ 441	$ 981	$ 2,974	$ 5,066
Postage	4,301	4,493	15,214	14,752	20,273
Staff Charges	282,312	142,281	609,675	687,711	894,468
Staff Charges - Insurance	46,658	26,942	169,773	146,924	201,731
IS Charges	6,000	-	8,841	4,931	27,251
Pole Installations	5,480	4,766	14,491	16,356	24,911
Miscellaneous	38,119	1,947	49,799	43,053	70,197
TOTAL	$ 383,202	$ 180,870	$ 868,774	$ 916,701	$ 1,243,897

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended September 30, 2008

	Third Quarter 2008			Third Quarter 2007		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.						
Listing & Filing Fees	$ -	$ -	$ -	$ -	$ 8,276	$ 8,276
Directors' Fees & Travel	-	53,000	53,000	-	20,733	20,733
Annual & Quarterly Reports	-	30,000	30,000	-	15,428	15,428
Trustee & Share Plan Costs	8,000	-	8,000	11,244	5,668	16,912
Staff Charges	-	22,000	22,000	-	-	-
Miscellaneous	232	46,000	46,232	43,719	333,876	377,595
Total	$ 8,232	$ 151,000	$ 159,232	$ 54,963	$ 383,981	$ 438,944
Fortis Properties Corporation						
Hotel/Banquet Facilities	$ 21,365	$ -	$ 21,365	$ 2,022	$ -	$ 2,022
Miscellaneous	-	-	-	27,144	-	27,144
Total	$ 21,365	$ -	$ 21,365	$ 29,166	$ -	$ 29,166
FortisBC Inc.						
Miscellaneous	$ -	$ -	$ -	$ 3,796	$ -	$ 3,796
Total	$ -	$ -	$ -	$ 3,796	$ -	$ 3,796

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended September 30, 2008

	Year To Date 2008			Year To Date 2007			Annual 2007		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.									
Listing & Filing Fees	$ -	$ -	$ -	$ 17,748	$ 25,352	$ 43,100	$ 17,748	$ 37,463	$ 55,211
Directors' Fees and Travel	-	162,000	162,000	-	100,988	100,988	-	158,259	158,259
Annual & Quarterly Reports	-	91,000	91,000	-	136,585	136,585	-	152,249	152,249
Trustee & Share Plan Costs	24,000	-	24,000	79,253	5,668	84,921	87,322	9,816	97,138
Staff Charges	-	68,000	68,000	-	-	-	-	-	-
Miscellaneous	36,191	506,057	542,248	61,462	364,763	426,225	94,261	382,585	476,846
Total	$ 60,191	$ 827,057	$ 887,248	$ 158,463	$ 633,356	$ 791,819	$ 199,331	$ 740,372	$ 939,703
Fortis Properties Corporation									
Hotel/Banquet Facilities	$ 30,087	$ -	$ 30,087	$ 6,403	$ 1,356	$ 7,759	$ 38,797	$ 1,356	$ 40,153
Miscellaneous	5,569	-	5,569	30,001	-	30,001	32,325	500	32,825
Total	$ 35,656	$ -	$ 35,656	$ 36,404	$ 1,356	$ 37,760	$ 71,122	$ 1,856	$ 72,978
FortisOntario Inc.									
Miscellaneous	$ 9,172	$ -	$ 9,172	$ 5,880	$ -	$ 5,880	$ 5,880	$ -	$ 5,880
Total	$ 9,172	$ -	$ 9,172	$ 5,880	$ -	$ 5,880	$ 5,880	$ -	$ 5,880
FortisAlberta Inc.									
Miscellaneous	$ -	$ -	$ -	$ 1,052	$ -	$ 1,052	$ 1,052	$ -	$ 1,052
Total	$ -	$ -	$ -	$ 1,052	$ -	$ 1,052	$ 1,052	$ -	$ 1,052
FortisBC Inc.									
Miscellaneous	$ 9,610	$ -	$ 9,610	$ 8,026	$ -	$ 8,026	$ 12,659	$ -	$ 12,659
Total	$ 9,610	$ -	$ 9,610	$ 8,026	$ -	$ 8,026	$ 12,659	$ -	$ 12,659

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended September 30, 2008

	Third Quarter 2008	Third Quarter 2007	Year To Date 2008	Year To Date 2007	Annual 2007
Fortis Inc.					
Printing & Stationery	$ 40	$ 79	$ 135	$ 456	$ 456
Postage	4,301	4,493	15,214	14,752	20,273
Staff Charges	215,987	103,746	414,848	463,635	606,758
Staff Charges - Insurance	37,059	20,333	142,370	127,455	167,629
IS Charges	6,000	-	8,694	-	277
Pole Installations	5,480	4,766	14,491	16,356	24,911
Miscellaneous	7,815	27	10,580	3,669	6,744
Total	$ 276,682	$ 133,444	$ 606,332	$ 626,323	$ 827,048
Fortis Properties Corporation					
Printing & Stationery	$ 292	$ 362	$ 846	$ 2,518	$ 4,610
Staff Charges	-	-	-	-	174
Staff Charges - Insurance	4,529	3,184	12,446	9,055	10,630
IS Charges	-	-	-	-	4,432
Miscellaneous	1,100	488	2,740	1,603	2,457
Total	$ 5,921	$ 4,034	$ 16,032	$ 13,176	$ 22,303
Maritime Electric Company, Limited					
Staff Charges	$ 54	$ 1,807	$ 4,945	$ 2,791	$ 2,791
Staff Charges - Insurance	1,661	1,128	1,855	1,177	1,490
IS Charges	-	-	-	-	2,674
Miscellaneous	1,000	-	1,081	-	850
Total	$ 2,715	$ 2,935	$ 7,881	$ 3,968	$ 7,805
FortisOntario Inc.					
Staff Charges	$ -	$ -	$ -	$ 126	$ 126
Staff Charges - Insurance	821	615	1,280	1,407	1,791
IS Charges	-	-	-	-	2,424
Miscellaneous	850	-	850	-	850
Total	$ 1,671	$ 615	$ 2,130	$ 1,533	$ 5,191

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended September 30, 2008

	Third Quarter 2008	Third Quarter 2007	Year To Date 2008	Year To Date 2007	Annual 2007
Belize Electricity Limited					
Staff Charges	$ 9,854	$ 7,895	$ 23,173	$ 88,798	$ 128,888
Staff Charges - Insurance	158	504	553	1,112	6,410
IS Charges	-	-	85	4,931	9,134
Miscellaneous	15,195	1,432	15,735	12,528	28,273
Total	$ 25,207	$ 9,831	$ 39,546	$ 107,369	$ 172,705
Fortis US Energy Corporation					
Staff Charges - Insurance	$ -	$ 73	$ -	$ 939	$ 939
Total	$ -	$ 73	$ -	$ 939	$ 939
Belize Electric Company Limited					
Staff Charges	$ 22,807	$ 12,473	$ 74,130	$ 12,473	$ 35,843
Staff Charges - Insurance	108	-	700	2,122	7,215
Total	$ 22,915	$ 12,473	$ 74,830	$ 14,595	$ 43,058
CNE Energy Inc.					
Staff Charges - Insurance	$ -	$ -	$ -	$ 107	$ 107
Total	$ -	$ -	$ -	$ 107	$ 107
FortisAlberta Inc.					
Staff Charges	$ 33,610	$ -	$ 92,579	$ 38,047	$ 38,047
Staff Charges - Insurance	486	253	4,193	1,041	1,041
IS Charges	-	-	62	-	-
Miscellaneous	8,959	-	15,451	25,253	28,103
Total	$ 43,055	$ 253	$ 112,285	$ 64,341	$ 67,191
FortisBC Inc.					
Staff Charges	$ -	$ 16,360	$ -	$ 81,841	$ 81,841
Staff Charges - Insurance	1,836	852	6,376	2,509	4,479
IS Charges	-	-	-	-	8,310
Miscellaneous	3,200	-	3,362	-	2,920
Total	$ 5,036	$ 17,212	$ 9,738	$ 84,350	$ 97,550

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Agreements With Associated Companies
For the Period Ended September 30, 2008

Company Name	Amount	Date Borrowed	Date Repaid	Interest Rate [1]	Interest
Loan from Fortis Inc.	$ 32,500,000	May 20, 2008	June 20, 2008	3.15%	$ 86,949
Loan from Fortis Inc.[2]	$ 32,500,000	June 20, 2008	August 29, 2008	3.15%	$ 170,877

[1] For comparative purposes, the rate that would have been charged under the Committed Credit Facility would have been 3.79% or 0.64% higher than the rate charged by Fortis Inc.

[2] The $32,500,00 borrowed on June 20, 2008 was repaid as followed:

Date	Repayment	Interest
August 4	$ 10,000,000	$ 38,836
August 20	5,000,000	26,322
August 29	17,500,000	105,719
	$ 32,500,000	$ 170,877

NEWFOUNDLAND POWER INC.

CUSTOMER PROPERTY DAMAGE CLAIMS REPORT

For the Quarter Ending September 30, 2008

Introduction

The Customer Property Damage Claims Report contains an overview of all damage claims activity summarized on a quarterly basis. The information contained in the report is broken down by cause as well as by the operating region where the claims originated.

The report is divided into four sections as follows:

1. The first section indicates the number of claims received during the quarter coupled with claims outstanding from the previous quarter.

2. The second section shows the number of claims for which the Company has accepted responsibility and the amount paid to claimants versus the amount originally claimed.

3. The third section shows the number of claims rejected and the dollar value associated with those claims.

4. The fourth section indicates those claims that remain outstanding at the end of the current quarter and the dollar value associated with such claims.

Overview - Third Quarter

The total number of damage claims received during the third quarter of 2008 has decreased in comparison to the number received during the same period in 2007. The decrease is found primarily in the Equipment Failure category.

Please note that the number of claims outstanding from the last quarter has been reduced by two as a result of claims being withdrawn by customers. These claims were originally reported under System Operations and Miscellaneous in our Eastern Region. The new total of outstanding claims for the last quarter is 13, down from 15 as reported in the summary for the quarter ending June 2008.

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Cause

For the Quarter Ending September 30, 2008

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	1	-	1	1	$ 274	$ 274	-	$ -	-	$ -
Power Interruptions	-	-	-	-	-	-	-	-	-	-
Improper Workmanship	1	4	5	1	600	170	-	-	4	36,196
Weather Related	-	-	-	-	-	-	-	-	-	-
Equipment Failure	14	7	21	17	18,443	10,108	1	5,000	3	3,300
Third Party	1	1	2	1	473	473	-	-	1	500
Miscellaneous	14	1	15	15	7,116	6,136	-	-	-	-
Total	**31**	**13**	**44**	**35**	**$ 26,906**	**$ 17,161**	**1**	**$ 5,000**	**8**	**$ 39,996**

For the Quarter Ending September 30, 2007

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	2	-	2	2	$ 673	$ 673	-	$ -	-	$ -
Power Interruptions	-	-	-	-	-	-	-	-	-	-
Improper Workmanship	1	2	3	3	5,946	5,946	-	-	-	-
Weather Related	-	-	-	-	-	-	-	-	-	-
Equipment Failure	31	12	43	32	47,892	28,415	3	10,200	8	19,040
Third Party	-	-	-	-	-	-	-	-	-	-
Miscellaneous	12	7	19	12	9,404	6,035	2	1,200	5	1,850
Total	**46**	**21**	**67**	**49**	**$ 63,915**	**$ 41,069**	**5**	**$ 11,400**	**13**	**$ 20,890**

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Region

For the Quarter Ending September 30, 2008

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	15	13	28	21	$ 18,741	$ 8,996	1	$ 5,000	6	$ 38,996
Western Region	16	-	16	14	8,165	8,165	-	-	2	1,000
Total	**31**	**13**	**44**	**35**	**$ 26,906**	**$ 17,161**	**1**	**$ 5,000**	**8**	**$ 39,996**

For the Quarter Ending September 30, 2007

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	30	18	48	32	$ 48,609	$ 25,796	5	$ 11,400	11	$ 20,340
Western Region	16	3	19	17	15,306	15,273	-	-	2	550
Total	**46**	**21**	**67**	**49**	**$ 63,915**	**$ 41,069**	**5**	**$ 11,400**	**13**	**$ 20,890**

Definitions of Causes of Damage Claims

1. **System Operations:** Claims arising from system operations. Examples include normal reclosing or switching.

2. **Power Interruptions:** Claims arising from interruption of power supply. Examples include all scheduled or unscheduled interruptions.

3. **Improper Workmanship:** Claims arising from failure of electrical equipment caused by improper workmanship or methods. Examples include improper crimping of connections, insufficient sealing and taping of connections, improper maintenance, inadequate clearance, or improper operation of equipment.

4. **Weather Related:** Claims arising from weather conditions. Examples include wind, rain, ice, lightning, or corrosion caused by weather.

5. **Equipment Failure:** Claims arising from failure of electrical equipment not caused by improper workmanship. Examples include broken neutrals, broken tie wires, transformer failure, insulator failure or broken service wire.

6. **Third Party:** Claims arising from equipment failure caused by acts of third parties. Examples include motor vehicle accidents and vandalism.

7. **Miscellaneous:** All claims not related to electrical service.

NEWFOUNDLAND POWER INC.

CONTRIBUTION IN AID OF CONSTRUCTION
QUARTERLY ACTIVITY REPORT

For the Quarter Ending September 30, 2008

The table below summarizes Contribution In Aid of Construction (CIAC) activity for the third quarter of 2008. The table is divided into three sections. The first section identifies the type of service for which a CIAC has been calculated. Services are categorized as Domestic (located within a Residential Planning Area), Domestic (located outside a Residential Planning Area) or General Service.

The second section indicates the number of CIACs quoted during the quarter as well as the number of CIAC quotes that remained outstanding at the end of the previous quarter. This format facilitates a reconciliation of the total number of CIACs that were active during the quarter.

The third section provides information as to the disposition of the total CIACs quoted. A CIAC is considered Accepted when a customer indicates they wish to proceed with construction of the extension and has agreed to pay any charge that may be applicable. A CIAC is considered Outdated after six months has elapsed and the customer has not indicated their intention to proceed with the extension. A quoted CIAC is Outstanding if it is neither Accepted nor Outdated.

Type of Service	CIACs Quoted	CIACs Outstanding Previous Qtr.	Total CIACs Quoted	CIACs Accepted	CIACs Outdated	Total CIACs Outstanding
Domestic						
- Within Planning Area	16	14	30	15	4	11
- Outside Planning Area	61	38	99	42	8	49
	77	52	129	57	12	60
General Service	16	5	21	7	0	14
Total	93	57	150	64	12	74

The table on pages 2 to 5 of the report provides specific information for the 93 CIACs quoted to customers during the period July 1, 2008 to September 30, 2008. Both the CIAC amounts quoted and the Estimated Construction Costs exclude HST.

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Third Quarter 2008

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (within Residential Planning Area)						
2008/08/22	Curtis, Glen	Outer Cove	2008-10-135	2,000.00	4,125.00	Yes
2008/08/29	Delorey, Eldridge	St. Andrews	2008-51-115	3,250.00	5,375.00	Yes
2008/08/20	Downey, Blanche	Millville	2008-51-112	4,460.00	6,585.00	Yes
2008/09/12	Flynn, Keith	West Bay	2008-51-120	1,492.00	3,617.00	Yes
2008/07/22	Forsey, Paul	Reidville	2008-50-135	9,600.00	11,725.00	
2008/07/10	Fry, Fred	Jamestown	2008-30-114	675.00	3,300.00	Yes
2008/08/22	Hopkins, Robert	Cormack	2008-50-138	775.00	2,900.00	Yes
2008/08/28	Hynes, Shirley	Point Au Mal	2008-51-113	4,350.00	9,100.00	Yes
2008/08/20	Johnson, Loretta	Upper Ferry	2008-51-111	5,525.00	8,525.00	Yes
2008/07/16	Kolubinski, Alex	Broad Cove	2008-20-150	4,392.85	6,517.85	Yes
2008/08/08	McKay, Dwight	Reidville	2008-50-126	1,898.00	4,398.00	
2008/08/20	Miller, Bonnie	Norris Arm North	2008-40-124	1,275.00	3,900.00	
2008/08/19	Murphy, Joseph	Tors Cove	2008-10-133	2,930.00	5,055.00	Yes
2008/08/18	Sheppard, Roger	York Harbour	2008-50-137	2,300.00	4,800.00	Yes
2008/08/18	Sullivan, Todd	Spaniards Bay	2008-20-163	1,825.00	3,950.00	Yes
2008/09/10	Thompson, Carl	Tors Cove	2008-10-134	770.00	3,200.00	Yes
DOMESTIC (outside Residential Planning Area)						
2008/09/12	Anderson, Janet	Wreckhouse - MacDougals Cottage Area	2008-51-116	1,135.89	1,760.89	
2008/08/21	Badcock, Gary	Nine Island Pond Cottage Area	2008-20-165	2,807.82	3,432.82	Yes
2008/07/30	Badger, Douglas	Deep Cove (Pleasantview) Cottage Area	2008-40-120	1,906.78	2,531.78	Yes
2008/09/16	Barron, Paul	Governor's Park	2008-20-184	2,050.00	2,675.00	
2008/07/10	Broderick, Gordon	Princeton Pond Cottage Area	2008-30-116	293,901.00	339,026.00	
2008/07/22	Brown, James	Roache's Line	2008-20-154	2,302.25	2,927.25	Yes
2008/09/11	Burden, Hubert	Line Road Cottage Area	2008-20-181	2,426.00	3,051.00	
2008/07/03	Butler Gary	Bunyan's Cove	2008-30-113	4,119.75	4,744.75	Yes
2008/09/08	Cameron, Judith	Line Road Cottage Area	2008-20-177	2,426.00	3,051.00	
2008/07/24	Cleary, Wayne	Benson's Field Cottage Area	2008-41-116	1,040.60	1,665.60	
2008/09/29	Collier, Donald	Middle Gull Pond	2008-20-187	1,025.00	1,650.00	

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Third Quarter 2008

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (outside Residential Planning Area)						
2008/07/04	Collins, Augustus	Marystown	2008-31-105	3,214.00	3,839.00	Yes
2008/09/04	Companion, Glenn	George's Lake	2008-50-139	1,450.00	2,075.00	Yes
2008/09/16	Cooze, Francine	Governor's Park	2008-20-183	2,050.00	2,675.00	
2008/09/18	Corrigan, Albert	Collin's Pond	2008-20-185	3,435.75	4,060.75	
2008/09/03	Dohey, William	Belbin's Pond Cottage Area	2008-20-170	3,545.06	4,170.06	Yes
2008/09/12	Earles, Frank	Dribble Road Cottage Area	2008-51-118	1,421.01	2,046.01	Yes
2008/08/18	Gill, Ellery	Terra Nova	2008-41-118	2,427.84	3,052.84	
2008/09/03	Haines, Chris	Golden Gullies Cottage Area	2008-20-171	4,727.96	5,352.96	
2008/09/03	Heffernan, Maureen	Whalen's/Ryan's Pond Cottage Area	2008-20-174	2,862.30	3,487.30	
2008/07/29	Hibbs, Elmo	Deep Cove (Pleasantview) Cottage Area	2008-40-121	1,906.78	2,531.78	
2008/08/13	Hickey, Paul	Thorburn Lake Cottage Area	2008-30-117	4,331.29	4,956.29	
2008/09/04	Hoffe, Rachel	Howley Cottage Area	2008-50-140	2,961.54	3,586.54	
2008/08/28	Keeping, Richard	Wreckhouse - MacDougals Cottage Area	2008-51-114	1,135.89	1,760.89	Yes
2008/09/29	Kelly, Bonnie	Mahers Cottage Area	2008-20-186	2,002.19	2,627.19	
2008/09/11	King, Donna	Horsechops	2008-10-132	900.00	1,525.00	
2008/07/30	Kirby, Douglas	Brigus Junction	2008-20-159	5,514.20	6,139.20	Yes
2008/07/02	Lidstone, Paul	Point Au Mal	2008-51-109	1,475.00	2,100.00	Yes
2008/08/12	Lundrigan, Cheryl	Witless Bay	2008-10-131	1,879.34	2,504.34	Yes
2008/08/26	Lundrigan, Darlene	Conception Bay South	2008-20-169	3,106.34	3,731.34	
2008/09/10	Marsh, Claude	Brigus South	2008-10-127	14,784.00	15,409.00	
2008/07/30	McGrath, Jim	Mahers Cottage Area	2008-20-160	2,002.19	2,627.19	Yes
2008/07/08	Molloy, Frank	Track Road Cottage Area	2008-10-111	2,389.03	4,514.03	Yes
2008/09/08	Myrick, Sean	Mansfield Pond Cottage Area	2008-20-175	3,106.34	3,731.34	
2008/07/15	O'Brien, Jody	Horsechops Road	2008-10-120	3,325.00	3,950.00	Yes
2008/07/23	Parsons, Perry	Brigus South	2008-10-128	7,328.00	7,953.00	Yes
2008/07/09	Pauls, Cyril	Butt's Pond East	2008-41-115	2,176.16	2,801.16	
2008/07/16	Penney, Paula	Whalen's/Ryan's Pond Cottage Area	2008-20-153	2,862.30	3,487.30	
2008/09/16	Philpott, Patrick	Whalen's/Ryan's Pond Cottage Area	2008-20-182	2,862.30	3,487.30	Yes
2008/07/18	Quigley, Michael	George's Pond	2008-50-101	2,177.51	2,802.51	Yes

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Third Quarter 2008

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (outside Residential Planning Area)						
2008/07/11	Reid, Willis	Nine Mile Road Cottage Area	2008-20-151	3,475.74	4,100.74	Yes
2008/07/22	Rideout, Caywood	Howley Cottage Area	2008-50-136	2,961.54	3,586.54	Yes
2008/07/03	Roberts, Randy	Mahers Cottage Area	2008-20-147	2,002.19	2,627.19	Yes
2008/07/25	Ryan, Gerard	Middle Gull Pond	2008-20-158	1,400.00	2,025.00	
2008/09/03	Searle, Wayne	Whalen's/Ryan's Pond Cottage Area	2008-20-173	2,862.30	3,487.30	Yes
2008/07/09	Snow, Matthew	Molliers	2008-31-104	4,125.00	4,750.00	Yes
2008/07/24	Squires, Judy	Whalen's/Ryan's Pond Cottage Area	2008-20-157	2,862.30	3,487.30	
2008/07/02	Stacey, Robert	Nine Mile Road Cottage Area	2008-20-146	3,475.74	4,100.74	
2008/07/08	Stoyles, William	Horsechops	2008-10-123	4,751.00	5,376.00	Yes
2008/09/08	Stratton, Debbie	Howley Cottage Area	2008-50-141	2,961.54	3,586.54	
2008/09/16	Sturge, Cecil	Hodgewater Line	2008-20-180	3,752.27	4,377.27	Yes
2008/07/03	Tilley, Warren	Mahers Cottage Area	2008-20-148	2,002.19	2,627.19	
2008/08/26	Tobin, Pauline	Georgetown	2008-20-168	175.00	800.00	Yes
2008/09/03	Waddleton, Marvin	Salmonier Line	2008-20-167	450.00	1,075.00	Yes
2008/08/26	Walsh, Patrick	Gould's Pond Ext. Cottage Area	2008-20-166	3,660.36	4,285.36	
2008/07/24	Westcott, Walter	Whalen's/Ryan's Pond Cottage Area	2008-20-156	2,862.30	3,487.30	Yes
2008/09/25	Wheeler, Florence	Dribble Road Cottage Area	2008-51-119	1,421.01	2,046.01	
2008/07/21	Wheeler, Phonse	George's Lake	2008-50-133	2,177.51	2,802.51	Yes
2008/08/18	Whitten, Paul	Salmonier Line	2008-20-164	1,600.00	2,225.00	Yes
2008/09/17	Williams, Mary	Cape Pond Road Cottage Area	2008-10-140	1,455.01	2,080.01	
2008/09/03	Woodfine, Thomas	Golden Gullies Cottage Area	2008-20-172	4,727.96	5,352.96	
GENERAL SERVICE						
2008/07/30	Atlantic Engineering	Lewisporte (office building)	2008-40-119	333.00	12,118.00	
2008/07/11	Bell Aliant	Flat Rock (communications tower)	2008-10-122	3,025.00	5,150.00	Yes
2008/07/16	Central Training Academy	Badger (vocational school)	2008-40-116	1,750.00	3,875.00	Yes
2008/09/02	Chards Construction	Bonavista (health clinic)	2008-30-118	2,665.00	11,675.00	Yes
2008/07/24	Cupids Soiree Committee	Cupids (recreational park)	2008-20-155	1,125.00	3,625.00	Yes

NEWFOUNDLAND POWER INC.
CIAC QUARTERY ACTIVITY REPORT INC.
THIRD QUARTER 2008

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
GENERAL SERVICE						
2008/08/18	Dept of Transportation & Works	Grand Falls-Windsor (traffic lights)	2008-40-122	2,950.00	5,075.00	Yes
2008/07/31	Eastern Mink Farm	Frederickton (mink farm)	2008-41-117	87,475.00	90,325.00	
2008/09/05	Gerry Skinner	Baie Verte Junction (motel)	2008-40-123	13,024.00	13,024.00	
2008/07/11	Hr. Grace Regatta Committee	Harbour Grace (boat house)	2008-20-149	38,150.00	40,275.00	
2008/07/29	Ivan Greening	Musgravetown (dairy farm)	2008-30-115	2,290.00	7,050.00	Yes
2008/07/16	Kent Building Supplies	Gander (fire pump)	2008-41-114	2,500.00	8,000.00	
2008/09/23	KERR Controls	St. John's (wholesalers)	2008-10-117	3,910.00	9,410.00	Yes
2008/09/23	KGS Enterprises Ltd.	Square Pond Park (recreational park)	2008-41-119	1,125.00	1,750.00	
2008/07/02	LA Farms Inc.	Gambo (crop storage)	2008-41-111	26,592.00	28,925.00	
2008/09/29	South Brook Point	Pasadena (lift station)	2008-50-143	4,015.00	10,600.00	
2008/09/16	Southern Shore Folk Arts Council	Ferryland (office bldg.)	2008-10-137	4,200.00	4,200.00	

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
PO Box 8910
St. John's, Newfoundland
A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

April 1, 2009

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, Newfoundland A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies & Gentlemen:

Please find enclosed the original and twelve copies each of:

1) Newfoundland Power Inc.'s Annual Report to the Board for 2008, filed pursuant to section 59(2) of the *Public Utilities Act*;

2) a revised System of Accounts which reflects changes to the annual returns and other changes flowing from Board orders;

3) a blacklined copy of the revised System of Accounts which indicates all changes contained in the revision; and

4) a summary of the changes to the revised System of Accounts.

The annual returns to the Board are set out in the System of Accounts. The annual returns to the Board for 2008 have been revised to reflect a number of changes arising from Order No. P.U. 32 (2007) and, in particular, the Company's adoption of the asset rate base methodology as approved by the Board. A number of annual returns have been renumbered and reformatted to improve the flow and clarity of information. In addition, revisions to reflect Board orders or current operations have been made to the System of Accounts in an effort to keep it current (e.g., Newfoundland Power no longer has any steam generating assets).

A detailed description of the revised annual returns is provided in Newfoundland Power's revised System of Accounts.

Join us in the fight against cancer.

I trust the enclosed are found to be in order, however should you have any questions please contact the undersigned at the direct number noted below.

Yours very truly,

Gerard Hayes
Senior Counsel

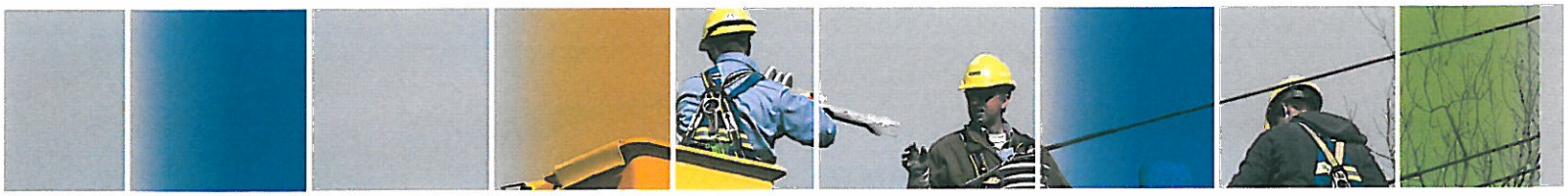
Enclosures

c. Geoff Young
Newfoundland & Labrador Hydro

Connected.

2008 Annual Report

NEWFOUNDLAND POWER
A FORTIS COMPANY



Corporate Profile

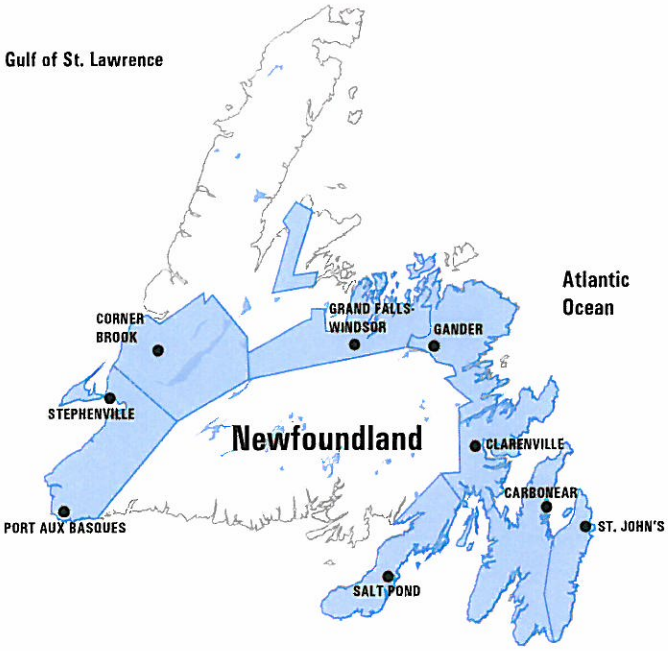
Newfoundland Power Inc. ("Newfoundland Power") operates an integrated generation, transmission and distribution system throughout the island portion of Newfoundland and Labrador.

For over 120 years, we have provided customers with safe, reliable electricity in the most cost-efficient manner possible. Our Company serves approximately 236,000 customers, about 85% of all electricity consumers in the province.

Working together with our employees, we continue to provide our customers with the service they expect and deserve in an environmentally and socially responsible manner.

Our vision is to be a leader among North American electric utilities in terms of safety, reliability, customer service and efficiency.

All the common shares of Newfoundland Power are owned by Fortis Inc. (TSX:FTS), the largest investor-owned distribution utility in Canada, which serves more than 2,000,000 gas and electric customers, and has assets exceeding $10.5 billion.



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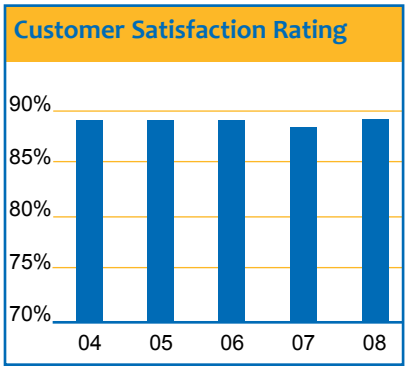
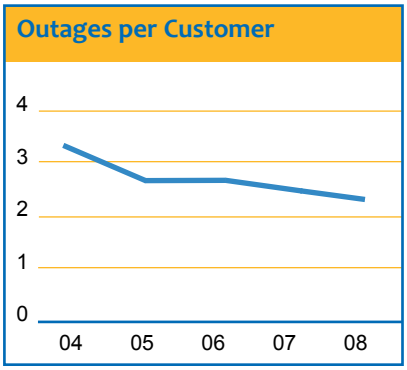
Highlights

Financial	2008	2007
Revenue *($000s)*	516,889	491,709
Property, Plant and Equipment *($000s)*	1,219,066	1,173,642
Long-term Debt *($000s)*	441,088	446,638
Common Shareholders' Equity *($000s)*	373,738	356,671
Earnings Applicable to Common Shares *($000s)*	32,341	29,866
Earnings per Common Share *($)*	3.13	2.89
Operating		
Customers *(#)*	235,778	232,262
Customer Satisfaction Rating *(%)*	89	88
Generating Capacity *(MW)*		
Hydroelectric	96.6	95.9
Diesel	7.0	7.0
Gas Turbine	36.5	36.5
Total	140.1	139.4
Peak Demand *(MW)*	1,181	1,142
Electricity Sales *(GWh)*	5,208	5,093





Report to Shareholders

Our daily operations focus on maintaining strong customer relationships. From electrical safety to the investments we make in our electricity system, our customers are impacted by every facet of what we do. In 2008, we achieved a strong customer satisfaction rating of 89%. This is a direct result of setting objectives to strengthen our **connections** with customers, communities and employees. Throughout the year, we invested in our electricity system; improved our operating performance in the areas of reliability and cost control; and, developed new community and environmental partnerships.

Earnings of $32.3 million in 2008 were $2.4 million higher than our earnings of $29.9 million in 2007. This was largely the result of a higher allowed rate-setting return on equity in 2008 and continued investment in our electricity system. Electricity sales increased by 2.3% to 5,208 gigawatt hours ("GWh") in 2008. And, our number of customers increased 1.5% to approximatley 236,000.

Our ability to hold the line on operating costs is a result of continually improving our business and managing our costs. In fact, we have maintained the same level of operating costs for the past five years.

Throughout 2008, we invested approximately $63 million to upgrade our electricity system and provide service to new customers. We invested $3.4 million to strengthen transmission lines on the Bonavista and southern Avalon Peninsulas; and, $1.5 million working with Newfoundland and Labrador Hydro ("Hydro") and two independent developers, to connect 54 megawatts ("MW") of renewable wind energy to the island's electricity system.

Our dedication to improving the electricity system, coupled with our commitment to provide quality service to our customers, enabled us to reduce the number of outages by 13% compared to 2007, and deliver electricity to our customers 99.97% of the time.

Over the next five years, we anticipate an increase in the number of retirements due to an aging workforce. As a result, we have undertaken initiatives to maximize knowledge and skill transfer between employees. Currently 13% of our line staff are training as apprentice linepersons, and 14% of our engineers are working toward their professional engineering designation.

In 2008, we invested $63 million to upgrade our electricity system and provide service to new customers.

In October, we were extremely saddened when a rare electrical incident claimed the life of a friend and colleague. This has made us even more resolved in our goal to eliminate workplace and public safety incidents.

2008 marked our first full year under the Occupational Health and Safety Assessment Series 18001 Health and Safety Management System ("OHSAS 18001"). Successful compliance with these internationally recognized standards demonstrates our commitment to continual improvement and ensuring the safety of our employees, contractors and the public.

We connected with Newfoundlanders and Labradorians in 2008 by helping them to save money, minimize our impact on the environment and reduce demand on our province's electricity system. We became a member of the provincial Energy Conservation and Efficiency Partnership ("ECEP"), under the provincial Energy Plan, and formed an energy efficiency partnership with Hydro. Together, we completed a Five-year Energy Conservation Plan, aimed at saving an estimated 70 GWh of energy annually by 2013, and launched a new joint energy efficiency brand called takeCHARGE - Saving Energy Starts Here!

Our connections with communities throughout the island are fostered through a shared commitment to our environment. Since 1997, we have initiated more than 300 partnerships with schools and environmental groups as part of our Environmental

Commitment Program. In 2008, we successfully completed initiatives to improve our corporate environmental performance, and educated communities about being green at our 11th annual *EnviroFest* celebrations, held island-wide.

Our years of dedication to maintaining a strong presence in our communities has led to enhanced connections with our customers, government partners and employees. In 2008, we connected with partners, such as Municipalities Newfoundland and Labrador, and the Newfoundland and Labrador Association of Fire Services, and forged new relationships with community-minded organizations like The HUB and the Newfoundland and Labrador Region of the Canadian Red Cross.

Paramount to our core beliefs and values is the safety of our employees, contractors and the public.

Our employees' reputation for giving of themselves to benefit others and better their communities has shaped who we are as a Company. In 2008, Canadian Blood Services honoured our employees' commitment to giving the gift of life with a national Honouring our Lifeblood Award. Since joining the *Partners for Life* program in 2004, we have made over 1,400 donations, helping to save up to 4,200 lives.

Our strong connections with our customers, enabled us to donate approximately $137,000 to our corporate charity, *The Power of Life Project*. Through supporting the Dr. H. Bliss Murphy Cancer Care Foundation and local cancer patients and their families, we are helping to make a difference in the lives of people fighting cancer in our province.

We thank our employees for offering their talents, hard work and commitment throughout the year. Our ability to maintain a sound electricity system, strengthen our operating performance, and connect with our communities is a direct result of their continued dedication to our customers and our Company.

Earl Ludlow, President and Chief Executive Officer, and David Norris, Chair, Board of Directors

In 2008, we welcomed the return of our long time colleague, Mr. Gary Smith, to his new position of Vice President, Engineering and Operations, and wished Mr. Phonse Delaney good luck as Vice President, Operations and Engineering, with FortisAlberta Inc.

Mr. Peter Fenwick and Mr. Bill Daley retired from our Board of Directors after 6 years and 3 years of service, respectively, and we thank them for their invaluable contributions. It was also our pleasure to welcome three new Board members in 2008: Mr. Frank Davis, Corporate Director; Mr. Fred O'Brien, President and Chief Executive Officer, Maritime Electric Company, Limited; and, Mr. Bruce Simmons, President and Chief Executive Officer, Hammond Farm Ltd.

We are honoured to be able to contribute to the growth and prosperity of our great province through building strong connections with our customers, employees and communities.

Sincerely,

David Norris
Chair, Board of Directors

Earl Ludlow
President and Chief Executive Officer

Report on Operations

Safety

Our business involves delivering a commodity that can be very dangerous. For many of our employees, even routine activities performed on a daily basis can be extremely hazardous. Above all else, safety is our priority.

In 2008, tragedy struck when we lost a talented, young employee from our Clarenville office. On October 22, a line crew was dispatched to repair a string of insulators on a transmission line on the Bonavista Peninsula. Shortly after arriving at the site, a rare incident caused by a failure of the insulators claimed the life of our friend and colleague. This tragedy hit close to home for everyone in the Company, and sent waves of sadness throughout the island and the entire industry. This unforeseen tragedy has brought us closer and made us even more resolved in our goal to eliminate workplace and public safety incidents.

2008 was our first full year under the internationally recognized OHSAS 18001. This system improved our ability to capture and track information related to safe work practices and hazard recognition, and enhanced the way we manage safety.

Two successful external audits of our safety management system verified our compliance with legislative requirements and OHSAS 18001. The Workplace Health, Safety and Compensation Commission also conducted audits that provided further external validation of the effectiveness of our employee safety programs and performance.

In the third quarter, we enhanced a number of our critical worker protection systems by delivering comprehensive programs dealing with high voltage safety, including: hazard assessment through risk management/job planning; high voltage electricity system switching; and, safe work around de-energized equipment.

About half of our safety incidents in 2008 involved meter reading. In the fall, we began a complete review of meter reading practices, training and equipment in order to improve safety performance in this area.

To enhance the safety of our employees working around low voltage equipment, we implemented improved standards surrounding the installation and removal of

2008 was our first full year under the internationally recognized OHSAS 18001.

electrical meters, expanded our flame resistant clothing program, and enhanced our safety procedures and guidelines.

In 2008, we put our Hearing Conservation Program into action. This involved training our employees to identify the hazards associated with high noise exposures and the controls required when working in such environments.

Contractor safety education, awareness and training was also a key focus in 2008. The launch of our new contractor website provides easy online access to our safety training requirements, practices and policies. We also opened more direct lines of communication with our contractors, assigned clearer responsibilities for managing contractor relationships and put feedback mechanisms in place.

Throughout the year, we continued our safety education and training partnership with the Newfoundland and Labrador Association of Fire Services. We donated our third vehicle to the *Learn Not to Burn* program, which delivers messaging about the dangers of fire and electrical safety hazards to elementary school students across the province. And, with the help of our retirees, we delivered children's electrical safety demonstrations through our Hazard Hamlet program to over 2,600 students in 53 schools throughout the province.

In 2008, we delivered electricity to our customers 99.97% of the time.

In 2008, we conducted electrical safety training for approximately 190 firefighters throughout the island, and, at the request of the Royal Newfoundland Regiment, trained several of their members in preparation for their power restoration efforts in Afghanistan.

We are committed to arming our employees, contractors and the public with the knowledge they need to make safety conscious decisions when it comes to electricity. We put safety first every day.

Reliability

Our ability to provide safe, reliable electricity to our customers at least cost is largely dependent upon the quality and condition of our electricity system. Our approach to reliability management consists of three aspects: capital investment; maintenance; and, operational deployment. In 2008, we reduced the number of customer outages by 13% compared to 2007, and delivered electricity to our customers 99.97% of the time.

Our 2008 capital investment of approximately $63 million focused on continuing to upgrade and strengthen our electricity system, and provide service to new customers. We upgraded transmission lines on the Bonavista Peninsula and southern shore of the

Avalon Peninsula, at a total cost of $3.4 million, and refurbished several of our substations across the island at a total cost of $2.4 million.

We implemented several initiatives in 2008 to improve operations and reduce operating costs, such as: helping to prevent outages by optimizing the performance of 43 distribution feeders in high growth areas; and, improving distribution system inspections through the use of handheld computers to streamline workflow for maintenance planners.

In 2008, we achieved a strong customer satisfaction rating of 89%.

In 2009, we plan to continue to invest in the electricity system with a capital budget of approximately $62 million. This investment will allow us to continue to offer reliable service and meet the growing needs of our customers.

The investments we make in our electricity system today help us to keep our customers connected tomorrow.

Customer Service

In 2008, we achieved a strong 89% customer satisfaction rating. This is particularly significant given the pressures placed on our customers as a result of rising energy prices.

Because we know that a timely response to customer inquiries leads to increased customer satisfaction, we implemented new initiatives to help us serve our customers more efficiently. We made changes to bring our customer communications technology in line with best practices followed by top-rated utility Contact Centres in North America, and successfully answered customer inquiries on the first call 88% of the time.

Our daily operations focus on maintaining strong customer connections.

Technology continues to play an increasing role in customer service delivery. More of our customers are choosing to do business with us electronically. We had approximately 470,000 visits to our corporate website in 2008, up 20% over 2007.

We focused on improving many of our online offerings, such as: simplifying access to customer accounts; increasing the availability of customer information to 24 months; and, providing our customers with the ability to view multiple accounts with a single login.

The improvements we made to our electronic billing system, or *eBills*, allowed for a more timely and efficient response to customer requests. Ongoing promotion of *eBills* resulted in a 24% increase in 2008 participation levels compared to 2007. We have a high customer participation rate in electronic billing compared to other North American utilities.

Throughout 2008, we continued to install meters that can be read remotely where meter accessibility has been a recurring issue. These meters eliminate energy usage estimates for our customers and improve safety for our meter readers. We now have more than 12,000 of these meters in use across our service territory.

We take great pride in connecting with our customers through providing service excellence.

Energy Efficiency

While volatile energy prices and a growing awareness of the environment are causing energy efficiency to rise to the top of a larger number of priority lists, we have been promoting the benefits of using energy wisely to our customers for many years.

In 2008, we strengthened our commitment to helping our customers save energy, save money and protect our environment. We became an active partner in the provincial ECEP to coordinate and assist with provincial energy conservation and efficiency initiatives. We further demonstrated our commitment to energy efficiency by partnering with Hydro to achieve a common goal - to use our collective resources and experience to provide our customers with the information, tools and programs they need to be energy efficient.

Together we completed a Five-year Energy Conservation Plan aimed at saving an estimated 70 GWh of energy annually by 2013. This plan is scheduled to begin in 2009.

In the fourth quarter, we launched the customer side of our energy efficiency partnership with a new brand, called takeCHARGE - Saving Energy Starts Here! together with an interative customer-focused website, takechargenl.ca. Over 5,200 customers visited our new takeCHARGE website in the less than two months since its launch.

We are committed to leading the charge on energy efficiency.

We have initiated more than 300 environmental partnerships with local community groups and schools across the island.

Environment

We take our commitment to minimizing our impact on the environment very seriously. In 2008, we successfully completed a number of initiatives to reduce environmental risks and improve our environmental performance.

We completed equipment upgrades at three of our hydroelectric generating plants to improve management of our water resources; and, continued with our multi-year PCB Phase-out Program for the removal and disposal of PCB oil-filled electrical equipment. Approximately 75% of our feeders and 85% of our substations have been completed under this program.

In 2008, an external third party conducted an environmental compliance audit of our operations which confirmed that we continue to meet all environmental legislative requirements. An additional third party audit of our Environmental Management System ensured we continue to comply with the ISO 14001 international standard. This audit also concluded that our facilities are well maintained and our employees continue to demonstrate a commitment to ensuring we operate in an environmentally responsible manner.

We have initiated more than 300 environmental partnerships with local community groups and schools across the island as part of our Environmental Commitment Program.

In 2008, we celebrated our 11th annual employee-driven celebration of the environment. *EnviroFest* brings local, environmentally-friendly community partners together to educate Newfoundlanders and Labradorians about the importance of our environment and topics such as climate change, energy efficiency and environmental stewardship.

We remain strong in our pursuit to protect and improve our environment as we contribute to a greener future.

Employees

Our employees are among the best in the business, and they take great pride in providing our customers with the dependable service they rely on every day. In 2008, we continued to support our employees through ongoing leadership, safety and environmental training, and personal and career development initiatives.

Our employees have been instrumental in helping to build and maintain our strong reputation for customer service excellence.

Our employees have been instrumental in helping to build and maintain our strong reputation for customer service excellence. Ensuring that we recognize our employees for their contributions is critical to our success. Feedback from an employee survey evaluating our employee recognition program revealed that it needed to change. We listened, and as a result, improved how we recognize service milestones.

As the pressures of an aging workforce continue, our focus on recruitment, retention and transfer of skills remains high on our list of priorities. In 2008, we completed many workforce management initiatives, such as participating in a variety of career fairs at post-secondary institutions and high schools, and continued our support of cooperative education and trade apprenticeship programs.

Our employees helped restore power to the Turks and Caicos Islands.

In September, our sister company, Fortis Turks and Caicos, was impacted when the Turks and Caicos Islands were struck by two Hurricanes, Hanna and Ike, within one week. The hurricanes caused extensive damage and power outages. We coordinated the Fortis response, which was comprised of 61 employees including linepersons, supervisors, technical support staff, along with line vehicles and equipment. The restoration involved two teams, each deployed for three weeks. Working together with Belize Electricity, Caribbean Utilities, FortisAlberta, FortisBC, FortisOntario and Maritime Electric we successfully assisted Fortis Turks and Caicos in restoring power to all customers on the islands.

We value the many contributions our employees have made in helping us build a strong foundation for continued success.

Community

As a community-minded company, we are dedicated to supporting our local economy. We connected with our customers in 2008 by continuing our long-time relationships and forging new bonds with additional community partners.

Our commitment to giving the gift of life was honoured with a national award at the 9th annual Canadian Blood Services Honouring our Lifeblood event. We were

recognized for the dedication of our employees to Canada's blood system and our commitment as a corporate *Partner for Life*. Since joining the *Partners for Life* program in 2004, our employees and their families have made over 1,400 donations, helping to save up to 4,200 lives. In 2008, we once again exceeded our corporate pledge of 300 donations, remaining one of the highest of any corporate partner in Atlantic Canada.

Since joining the *Partners for Life* program, our employees have made over 1,400 donations, helping to save up to 4,200 lives.

Our employees and customers continued to support cancer care in our province throughout 2008 by donating approximately $137,000 to our corporate charity, *The Power of Life Project*. Together with customer and employee donations, and the funds raised at employee-driven events, we have helped to secure the purchase of a new four dimensional CT Simulator for the Dr. H. Bliss Murphy Cancer Care Foundation to enhance the accuracy of radiation treatment planning.

Our Electrical Maintenance Team did their part to brighten the lives of cancer patients and their families by bringing light back to the Dr. H. Bliss Murphy Cancer Care Foundation's Garden of Hope, located just outside the cancer clinic in St. John's. Our Electrical Maintenance Team donated their time and skills to restore the garden to a place of tranquility for patients battling cancer, after the lights and wiring system were completely destroyed by vandals.

In 2008, we formed a new partnership with the Canadian Red Cross and the provincial government's Fire and Emergency Services to launch *Ready.Kit.GO!* This partnership is aimed at educating the people of Newfoundland and Labrador about the importance of being prepared, and how to respond appropriately during an emergency situation.

We demonstrated our commitment to sports in our province as a major sponsor of the 2008 Newfoundland and Labrador Summer Games. Always an active

Our Electrical Maintenance Team volunteered their time to restore light to the Garden of Hope.

supporter, we ensured the games ran smoothly by providing all athletes, coaches and volunteers with identification pouches, and reliable transportation throughout the games.

We maximized a unique opportunity when we assisted The HUB in continuing to provide gainful employment to persons with disabilities. By donating two printing presses that were no longer required by the Company, we helped The HUB remain strong in its printing operations, one of the organization's main sources of revenue.

In 2008, we partnered with Municipalities Newfoundland and Labrador, and demonstrated our support at their annual conference. As sponsor of the opening ceremonies and host of a workshop on managing energy more efficiently we connected with municipalities by educating them on how to save energy and money.

Our employees pride themselves in maintaining strong connections to the places they call home.

Management Discussion and Analysis

This Management Discussion and Analysis dated February 5, 2009, should be read in conjunction with Newfoundland Power Inc.'s (the "Company" or "Newfoundland Power") annual financial statements and notes thereto for the year ended December 31, 2008. Financial information herein reflects Canadian dollars and Canadian generally accepted accounting principles ("Canadian GAAP"), including certain accounting practices unique to rate-regulated entities. These accounting practices, which are disclosed in Notes 2 and 4 to the Company's 2008 annual financial statements, result in the recognition of revenues, expenses, regulatory assets and regulatory liabilities which would not occur in the absence of rate regulation and which affect the Company's reported earnings, cash flows and financial position.

Certain information herein is forward-looking and reflects management's current expectations regarding the Company's future financial and related performance. 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 indentify forward-looking information, although not all forward-looking information contains these identifying words. The forward-looking information reflects management's current beliefs and is based on information currently available to the Company's management. Certain material factors, estimates and assumptions, which are subject to inherent risks and uncertainties surrounding future expectations generally, have been applied in drawing the conclusions contained in the forward-looking statements. These are related to, but are not limited to: regulation; energy supply; competition; general economic conditions; health, safety and the environment; interest rates; insurance; weather; labour relations; licences and permits; capital resources; and, liquidity. Readers are cautioned to not place undue reliance on forward-looking statements because actual results could differ materially from the results discussed or implied in those statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Additional information, including the Company's quarterly and annual financial statements, annual information form and management information circular, is available on SEDAR at www.sedar.com.

OVERVIEW

The Company

Newfoundland Power is a regulated electricity utility that owns and operates an integrated generation, transmission and distribution system throughout the island portion of the Province of Newfoundland and Labrador. All the Company's common shares are owned by Fortis Inc. ("Fortis"), which is principally a diversified, international holding company for electricity and gas distribution utilities.

Newfoundland Power's primary business is electricity distribution. It generates approximately 8% of its electricity needs and purchases the remainder from Newfoundland and Labrador Hydro ("Hydro"). Newfoundland Power serves approximately 236,000 customers comprising about 85% of all electricity consumers in the Province.

Newfoundland Power's vision is to be a leader among North American electricity utilities in terms of safety, reliability, customer service and efficiency. The Company's strategy is to operate sound electricity distribution systems, and to focus on the safe and reliable delivery of electricity service to its customers in the most cost-efficient manner possible. Newfoundland

Power and its employees are committed to providing customers with the service they expect in an environmentally and socially responsible manner.

Regulation

Newfoundland Power is regulated by the Newfoundland and Labrador Board of Commissioners of Public Utilities (the "PUB"). The Company operates under cost of service regulation whereby it is entitled the opportunity to recover, through customer rates, all reasonable and prudent costs incurred in providing electricity service to its customers, including a just and reasonable return on its rate base. The rate base is the net assets required to provide electricity service.

Between general rate hearings, customer rates are established annually through an automatic adjustment formula (the "Formula"). The Formula sets an appropriate rate of return on common equity ("ROE") which is used to determine the rate of return on rate base. The ROE is based upon the change in the forecast cost of common equity resulting from changes in long-term Canada bond yields.

Pursuant to its 2008 General Rate Application ("2008 GRA"), the Company's rate of return on rate base for ratemaking purposes was set at 8.37%, with a range of 8.19% to 8.55%, for 2008. This reflects a regulated ROE of 8.95% for 2008 compared to 8.60% for 2007. As a result of the 2008 GRA, customer rates increased by an average of approximately 2.8% effective January 1, 2008. The 2008 GRA also provided for the amortization of certain regulatory assets and liabilities, and the prospective recognition of future income taxes associated with pension costs.

Financial Highlights

	2008	2007	Change
Electricity Sales (gigawatt hours ("GWh"))	5,208.2	5,092.8	115.4
Earnings Applicable to Common Shares			
$ Millions	32.3	29.9	2.4
$ Per Share	3.13	2.89	0.24
ROE (%)[1]	8.86	8.62	0.24
Cash Flow from Operating Activites ($millions)	85.0	49.3	35.7
Total Assets ($millions)	1,001.9	985.9	16.0

[1] *Earnings applicable to common shares, divided by the average of common shareholder's equity at the beginning and end of the year. This ratio is a non-GAAP financial measure, does not have any standardized meaning prescribed by GAAP, and is unlikely to be comparable to similar ratios published by other companies. It is presented because it is commonly referred to by the users of the Company's financial statements in evaluating the results of operations and by the Company's regulator in the rate-setting process.*

Electricity sales for the year ended December 31, 2008 increased by 115.4 GWh or 2.3% compared to 2007. The increase in electricity sales is comprised of an increase of (i) 1.4% due to customer growth, (ii) 0.6% due to higher average consumption, and (iii) 0.3% due to an additional day of sales in February 2008 (leap year).

Earnings for the year ended December 31, 2008 increased $2.4 million from $29.9 million in 2007 to $32.3 million in 2008. The increase was primarily the result of the 2.8% increase in customer rates which was effective January 1, 2008. Approximately $0.6 million of the $2.4 million increase in earnings resulted from operational performance during the course of 2008 which varied from the forecasts used to establish customer rates. The primary variances were: (i) lower debt costs; (ii) lower operating and pension costs; (iii) higher amortization related to higher than forecast capital expenditure; and, (iv) lower contribution from sales than that forecasted in customer rates, purchased power expense changes due to higher water inflows associated with the Company's hydroelectric generating facilities and demand management incentives.

As a result of the Company's 2008 GRA, the ROE reflected in customer rates was 8.95% for 2008 compared to 8.60% for 2007. The actual ROE in both 2008 and 2007 is broadly consistent with that reflected in customer rates.

The increase in cash flow from operating activities primarily reflects the January 1, 2008 customer rate increase, timing differences related to income tax instalments and collection of receivables, and a reduction in pension funding in 2008.

The increase in total assets was due primarily to continued investment in the electricity system and is consistent with the Company's strategy to provide safe and reliable electricity service at the lowest reasonable cost.

RESULTS OF OPERATIONS

Revenue:

($millions)	2008	2007	Change
Revenue from Rates	496.4	477.1	19.3
Amortization of Regulatory Liability	8.6	2.7	5.9
Other Revenue[2]	11.9	11.9	-
Total	516.9	491.7	25.2

[2] *Other revenue is composed primarily of pole attachment charges to various telecommunication companies.*

Revenue increased by approximately $25.2 million, from $491.7 million in 2007 to $516.9 million in 2008. The increase primarily resulted from the January 1, 2008 rate increase and electricity sales growth.

The amortization of regulatory liabilities related to unbilled revenue and municipal tax is in accordance with PUB orders. These regulatory liabilities are described in Note 4 to the Company's 2008 annual audited financial statements.

Purchased Power: Purchased power expense increased by approximately $9.9 million, from $326.8 million in 2007 to $336.7 million in 2008. The increase was primarily due to electricity sales growth.

Operating Expense: Operating expense decreased by approximately $0.4 million from $47.5 million in 2007 to $47.1 million in 2008. The decrease was due primarily to timing of recognition of PUB assessments for 2008, lower insurance premiums and lower equipment maintenance costs, partially offset by wage and inflationary increases.

Pension and Early Retirement Program Costs: Pension and early retirement program costs decreased by approximately $2.7 million, or 47.4%, from $5.7 million in 2007 to $3.0 million in 2008. The decrease resulted from amortization of higher returns on pension plan assets experienced in the previous year, and a higher discount rate determined at December 31, 2007, associated with the Company's accrued benefit obligation. The discount rate is prescribed by GAAP and reflects market conditions.

Amortization: Amortization of capital assets increased by approximately $0.6 million, or 1.5%, from $40.0 million in 2007 to $40.6 million in 2008. Capital expenditures were $67.3 million in 2008. Higher amortization associated with these expenditures was partially offset by the decline in the composite amortization rate from 3.5% in 2007 to 3.4% in 2008, in accordance with PUB orders.

Amortization True-Up Deferral: Amortization of capital assets is subject to periodic review by external experts via an amortization study. The PUB ordered the deferred recovery of approximately $5.8 million in each of 2006 and 2007, $11.6 million in aggregate, related to a variance in accumulated amortization identified in the 2002 amortization study. These deferrals were recorded as an increase in regulatory assets and a decrease in expenses of $5.8 million in each year. Amortization of $3.9 million was recorded in 2008 in accordance with the PUB order that the resultant regulatory asset of approximately $11.6 million be amortized evenly over 2008 through 2010.

Finance Charges: Finance charges decreased by approximately $1.4 million, or 4.0%, from $34.9 million in 2007 to $33.5 million in 2008. This decrease primarily reflects the August 2007 refinancing of $31.5 million 11.875%, Series AC first mortgage sinking fund bonds with 5.901%, 30-year Series AL first mortgage sinking fund bonds.

Income Taxes: Income tax expense increased by approximately $6.9 million, from $12.2 million in 2007 to $19.1 million in 2008. This increase reflects higher pre-tax earnings and an increase in the Company's effective income tax rate. The increase in the effective income tax rate reflects a reduction in tax deductible pension funding and PUB ordered amortization and cost recovery deferrals, partially offset by the amortization of the 2005 unbilled revenue and higher capital cost allowance.

FINANCIAL POSITION

Explanations of the primary causes of significant changes in the Company's balance sheets between December 31, 2007 and December 31, 2008 follow.

($millions)	Increase (Decrease)	Explanation
Accounts Receivable	(7.3)	Lower electricity consumption in December primarily due to warmer weather and timing differences relating to the operation of the Company's equal payment plan, along with lower non-electric receivables resulting from timing of pension payments and customer payments for service.
Total Regulatory Assets	(3.5)	Decrease in Weather Normalization Account due to its normal operation; amortization of regulatory deferrals in accordance with PUB orders; and reduction in estimate for deferred GRA costs to reflect actual costs; partially offset by an increase in rate stabilization account due to its normal operation, and an increase in other post-employment benefits asset, representing costs incurred but not expensed under the cash method of accounting.
Capital Assets	24.2	Investment in electricity system, in accordance with 2008 capital program, offset partially by amortization and customer contributions in aid of construction.
Deferred Charges	4.6	Increase mainly due to pension funding in excess of pension expense.
Accounts Payable and Accrued Charges	(3.1)	Decrease primarily a result of timing of payment of trade payables and decreased purchased power costs due to warmer weather in December.
Total Regulatory Liabilities	(8.4)	Decrease primarily due to reduction in unbilled revenue liability and municipal tax liability due to PUB approved amortization.
Income Tax Payable/Receivable (net)	9.4	Current income tax expense in excess of income tax instalments paid. Lower instalments were required in 2008 based upon 2007 income taxes payable.

($millions)	Increase (Decrease)	Explanation
Other Liabilities	6.9	Increase in liability for other post-employment benefits.
Long-term Debt, including Current Portion	(5.4)	Decrease primarily relates to timing of operating cash flows and annual sinking fund payments on long-term debt.
Retained Earnings	17.1	Earnings in excess of dividends paid, retained to finance rate base growth.

LIQUIDITY AND CAPITAL RESOURCES

The primary sources of liquidity and capital resources are net funds generated from operations, debt capital markets and bank credit facilities. These sources are used primarily to satisfy capital expenditures, service and repay debt, and pay dividends. A summary of cash flows and cash position for 2008 and 2007 follows.

($millions)	2008	2007	Change
Cash (Bank Indebtedness), Beginning of Year	1.1	(0.4)	1.5
Operating Activities	85.0	49.3	35.7
Investing Activities			
Net Capital Expenditures	(67.3)	(72.2)	4.9
Other	3.2	2.5	0.7
	(64.1)	(69.7)	5.6
Financing Activities			
Bond Issued	-	70.0	(70.0)
Bond Retired	-	(31.5)	31.5
Bond Sinking Fund Payments	(4.6)	(5.0)	0.4
Net Credit Facility Borrowings	(1.0)	(1.7)	0.7
Dividends on Common Shares	(15.3)	(9.1)	(6.2)
Other	(0.5)	(0.8)	0.3
	(21.4)	21.9	(43.3)
Cash, End of Year	0.6	1.1	(0.5)

Operating Activities

Cash flow from operating activities totalled $85.0 million in 2008 compared to $49.3 million in 2007. The $35.7 million increase in cash flow from operating activities reflects (i) the January 1, 2008 rate increase, (ii) timing differences related to income tax instalments, (iii) timing differences related to electricity and other receivables, (iv) collections under the Company's equal payment plan for its electricity customers, (v) reduction of pension funding in 2008, and (vi) electricity sales growth.

Investing Activities

Cash flow used in investing activities totalled $64.1 million in 2008 compared to $69.7 million in 2007. The $5.6 million decrease was due primarily to lower capital expenditures in 2008 compared to 2007. Higher capital expenditures in 2007 related to the Rattling Brook hydroelectric plant refurbishment project.

A summary of 2008 and 2007 capital expenditures follows.

($millions)	2008	2007
Electricity System		
Generation	4.1	18.1
Transmission	5.3	4.4
Substations	7.5	5.1
Distribution	35.5	30.4
Other	14.9	14.2
Total Capital Expenditures - Net of Salvage	67.3	72.2

The Company's business is capital intensive. Capital investment is required to ensure continued and enhanced performance, reliability and safety of the electricity system, and to meet customer growth. Capital investment also arises for information technology systems and for general facilities, equipment and vehicles. Capital expenditures, and capital asset repairs and maintenance expense, can vary from year-to-year depending upon both planned system expenditures and unplanned expenditures arising from weather or other unforeseen events.

The Company's annual capital plan requires prior PUB approval. Variances between actual and planned expenditures are generally subject to PUB review prior to inclusion in the Company's rate base.

The Company's PUB approved 2009 capital plan provides for capital expenditures of approximately $61.6 million, approximately half of which relate to construction and capital maintenance of the electricity distribution system.

Financing Activities

Cash flow used in financing activities totalled $21.4 million in 2008 compared to cash from financing activities of $21.9 million in 2007. The $43.3 million decrease in cash from financing activities in 2008 primarily related to higher operating cash flows and lower capital expenditures which reduced borrowing requirements in 2008. This was partially offset by higher common share dividends in 2008. Cash from financing activities in the previous year primarily related to the issuance of $70 million first mortgage sinking fund bonds which were partially used to repay $31.5 million in maturing first mortgage sinking fund bonds.

The Company has historically generated sufficient annual cash flows from operating activities to service annual interest and sinking fund payments on debt, to pay dividends and to finance a major portion of its annual capital program. Additional financing to fully fund the annual capital program is obtained through the Company's bank credit facilities and these borrowings are periodically refinanced along with any maturing bonds through the issuance of long-term first mortgage sinking fund bonds. The Company currently does not expect any material changes in these basic cash flow and financing dynamics over the foreseeable future.

Pensions: As at December 31, 2008, the fair value of the Company's primary defined benefit pension plan assets was $212.6 million compared to fair value of plan assets of $259.7 million as at December 31, 2007. Details of the changes are included in Note 16 to the Company's 2008 annual audited financial statements. The decrease in the fair value of pension plan assets during 2008 was mainly driven by unfavourable market conditions in 2008.

The decline in pension plan assets is expected to increase the Company's future special pension funding obligations, commencing in 2009. The amount of the increase will not be determinable until completion of the next actuarial valuation. Based on the last actuarial valuation as of December 31, 2005, pension funding obligations concluded in March 2008.

The next scheduled actuarial valuation is as at December 31, 2008 and this valuation is expected to be completed in the first quarter of 2009.

The Company does not expect any difficulty in its ability to meet future pension funding requirements as it expects the amounts will be financed from a combination of cash generated from operations and amounts available for borrowing under existing credit facilities.

Debt: The Company's credit facilities are comprised of a $100 million committed revolving term credit facility and a $20 million uncommitted demand facility. Details follow.

($millions)	2008	2007
Total Credit Facilities	120.0	120.0
Long-term Borrowings Outstanding	(32.0)	(33.0)
Credit Facilities Available	88.0	87.0

During the third quarter of 2008, the $100 million committed revolving facility was renegotiated on similar terms as the previous facility and matures in August 2011. Subject to lenders' approval, two years prior to maturity the Company may request an extension for a further period of 364 days, or alternatively, one year prior to maturity the Company may request an extension for a further period of up to one year and 364 days.

Contractual Obligations: Details, as at December 31, 2008, of all contractual obligations over the subsequent five years and thereafter, follow.

($millions)	Total	2009	2010-2011	2012-2013	2014 Onward
Credit Facilities (unsecured)	32.0	-	32.0	-	-
First Mortgage Sinking Fund Bonds[3]	409.1	4.6	9.1	9.1	386.3
Total	441.1	4.6	41.1	9.1	386.3

[3] *First mortgage sinking fund bonds are secured by a first fixed and specific charge on capital assets owned or to be acquired by the Company and carry customary covenants.*

Credit Ratings and Capital Structure: To ensure continued access to capital at reasonable cost, the Company endeavours to maintain its investment grade credit ratings. During 2008, the Company's investment grade bond ratings were reaffirmed, and currently are: Dominion Bond Rating Service, "A" and Moody's, "Baa1"; both with a "stable" rating outlook.

Newfoundland Power endeavours to maintain a capital structure composed of 55% debt and 45% equity. This capital structure is reflected in customer rates and is consistent with the Company's current investment grade credit ratings. The Company's capital structure at December 31, 2008 and 2007 follows.

	2008		2007	
	$millions	%	$millions	%
Total Debt[4]	437.5	53.3	442.5	54.7
Common Equity	373.7	45.5	356.7	44.1
Preferred Equity	9.4	1.2	9.4	1.2
Total	820.6	100.0	808.6	100.0

[4] *Includes bank indebtedness, if applicable, net of cash.*

The Company currently expects it will be able to maintain its current investment grade credit ratings in 2009.

Share Capital and Dividends: For the year ended 2008 and 2007, the weighted average number of common shares outstanding was 10,320,270. There were no changes to the number of common and preferred shares outstanding during 2008.

Dividends on common shares, for 2008, compared to 2007, were $6.2 million higher. In 2008, common quarterly dividends increased to $0.37 per share compared to $0.22 per share in 2007. The increase in common share dividends was to maintain a capital structure that includes approximately 45% common equity.

RELATED PARTY TRANSACTIONS

The Company provides services to, and receives services from, its parent company, Fortis and other subsidiaries of Fortis. The Company also incurs charges from Fortis for the recovery of general corporate expenses incurred by Fortis. These transactions are in the normal course of business and are recorded at their exchange amounts.

Related party transactions included in revenue, operating expenses and finance charges and included in accounts receivable as at December 31, 2008 and 2007 follow.

($millions)	2008	2007
Revenue[5]	4.2	4.1
Operating Expenses	1.5	0.9
Finance Charges	0.3	-
Accounts Receivable	0.2	0.1

[5] *Includes charges for electricity consumed.*

In May, 2008, the Company borrowed $32.5 million from Fortis as a short-term demand loan at an interest rate of 3.15%, which was indicative of Bankers' Acceptance rates at the time. This amount was fully repaid in the third quarter of 2008.

BUSINESS RISK MANAGEMENT

Regulation: The Company is subject to normal uncertainties facing entities that operate under cost of service regulation. It is dependent on PUB approval of customer rates that permit a reasonable opportunity to recover on a timely basis the estimated costs of providing electricity service, including a fair and reasonable return on rate base. The ability to recover the actual costs of providing service and to earn the approved rates of return depends on achieving the forecasts established in the rate-setting process. Between general rate applications, the setting of customer rates through the Formula can cause earnings and cash flows to increase or decrease due to corresponding changes in bond yields which are beyond the Company's control.

Economic Conditions: Economic conditions primarily impact the performance of the Company's defined benefit pension plan, cost of capital and electricity sales. The impact on pensions and cost of capital are discussed below. Electricity sales are influenced by economic factors in the Company's service territory such as changes in employment levels, personal disposable income, energy prices and housing starts. Out-migration in rural areas, as well as declining birth rates and increasing death rates associated with an aging population also affect sales. Modest sales growth is currently expected for 2009; however, economic conditions may impact actual future sales.

Pension: The Company's defined benefit pension plan is impacted by economic conditions as it relates to the Company's future pension funding requirements, as discussed in the "Liquidity and Capital Resources" section of this Management Discussion and Analysis. Future pension obligations and related pension expense may also be impacted by economic conditions. The defined benefit pension plan is subject to judgments utilized in the actuarial determination of the pension obligation and the related pension expense. The primary assumptions utilized by management are the expected long-term rate of return on pension plan assets and the discount rate used to value the accrued benefit obligation. A discussion of the critical accounting estimates associated with pensions is provided in the "Critical Accounting Estimates" section of this Management Discussion and Analysis.

There is no assurance that the pension plan assets will earn the expected long-term rate of return in the future. Market driven changes impacting the performance of the pension plan assets may result in material variations in actual return on pension plan assets from the expected long-term return on the assets. This may cause material changes in future pension liabilities and pension expense. Market driven changes impacting the discount rate may also result in material variations in future pension liabilities and pension expense. In 2008, the Company experienced material changes in the actual return on pension plan assets and the discount rate. Any increase or decrease in future pension funding requirements and/or pension expense is expected to be recovered from or refunded to customers in future customer rates subject to forecast risk. There is no assurance that any cost which might arise as a result of recent or future changes in pension plan asset performance and discount rates will be recovered in future customer rates and, if substantial, unrecovered costs could have a material adverse effect on the results of operations, cash flows and financial position of the Company. The impact of current economic conditions on the Company's 2009 pension expense is discussed in the "Critical Accounting Estimates" section of this Management Discussion and Analysis.

There is also measurement uncertainty associated with pension expense, future funding requirements, the accrued benefit asset, accrued benefit liability and benefit obligation inherent in the actuarial valuation process.

Capital Resources: The recent volatility experienced in the global financial markets may increase the Company's cost of capital as well as impact timing of future long-term bond issues. Market driven changes in interest rates can cause fluctuations in interest costs associated with the Company's bank credit facilities. The Company periodically refinances its credit facilities in the normal course with fixed-rate first mortgage sinking fund bonds, which compose most of its long-term debt, thereby significantly mitigating exposure to short-term interest rate changes. The Company currently expects to issue long-term debt in 2009.

Credit Ratings: The Company does not anticipate any material adverse rating actions by the credit rating agencies in the near term. However, the current global financial crisis has placed increased scrutiny on rating agencies and rating agency criteria which may result in changes to credit rating practices and policies.

Electricity Prices: Increases in electricity rates can cause changes in customer electricity consumption, which could negatively impact sales and therefore earnings and cash flows. Electricity prices have risen in recent years due to the flow-through of the rising cost of oil used at Hydro's thermal generating station. Future changes or volatility in oil prices may affect electricity prices in a manner that affects sales.

Competition: The Company currently does not expect any significant loss in heating market share to its primary competitor which is furnace oil. Natural gas is not expected to enter the Company's service territory in the foreseeable future.

Purchased Power Cost: The Company is dependent on Hydro for approximately 92% of its electricity requirements. Purchased power costs are based on a wholesale demand and energy rate structure. The demand and energy rate structure presents the risk of volatility in purchased power costs due to uncertainty in forecasting energy sales and peak billing demand.

With respect to demand charges, effective January 1, 2008, the PUB ordered the discontinuance of the purchased power unit cost variance reserve (the "PPUCVR"), which limited volatility of purchased power cost, and its replacement with the demand management incentive account (the "DMI"). The DMI limits variations in the unit cost of purchased power related to demand up to 1% of total demand costs reflected in customer rates, or approximately $0.5 million for 2008. The disposition of balances in this account, which would be determined by a further order of the PUB, will consider the merits of the Company's conservation and demand management activities. The replacement of the PPUCVR with the DMI is not expected to have a material impact on the Company's annual earnings and cash flows.

With respect to energy charges, as a result of January 1, 2007 changes in Hydro's wholesale rates, the marginal cost of purchased power now exceeds the average cost of purchased power that is embedded in customer rates. To the extent actual electricity sales in any period exceed forecast electricity sales used to set customer rates, the marginal purchased power expense will exceed related revenue. These supply cost dynamics had no material effect on 2008 earnings because the PUB ordered, for 2008 to 2010, that variations in purchased power expense caused by differences between the actual unit cost of energy purchased and that reflected in customer rates be recovered from (returned to) customers through the Company's rate stabilization account. Beyond 2010, the manner in which incremental purchased power costs are recovered will be determined by the PUB.

Regulatory Assets and Liabilities: The accounting methods that give rise to, and the settlement of, regulatory assets and liabilities are determined by the PUB and may impact the Company's future cash flows.

Health, Safety and Environment: The Company is subject to numerous and increasing environmental, health and safety laws, regulations and guidelines governing hazardous substances and other waste materials. Electricity is itself a hazardous commodity. Damages and costs could potentially arise due to a variety of events, including severe weather, human error or misconduct, and equipment failure. There is no assurance that any costs which might arise would be recoverable through customer rates and, if substantial, unrecovered costs could have a material adverse effect on the results of operations, cash flows and financial position of the Company. A focus on safety and the environment is an integral and continuing component of the Company's core business strategy.

2008 was the Company's first full year under the internationally recognized Occupational Health and Safety Assessment Series 18001 Health and Safety Management System ("OHSAS 18001"). This improved the Company's ability to capture and track information related to safe work practices and hazard recognition, and enhanced safety management.

A key element of environmental management relates to the Company's environmental management system ("EMS"). The Company's EMS is designed to mitigate the risks associated with the potential release of hazardous substances into the air, water and soil as part of its day-to-day operations. The Company's EMS is compliant with the ISO 14001. One key hazard relates to the risk of air, soil and water contamination that could stem from the storage of large volumes of fuel and the use of other petroleum based products in day-to-day operating and maintenance activities. In addition, key hazards related to hydroelectric generation operations are the creation of artificial water flows that may disrupt natural habitats and the storage of large volumes of water for the purposes of electricity generation.

In conjunction with the operation of its EMS, the Company is materially compliant with the governing environmental laws under which it must operate. At December 31, 2008, there are no environmental liabilities included in Company's financial statements and there are no material unrecorded environmental liabilities.

Insurance: While the Company maintains a comprehensive insurance program, the Company's transmission and distribution assets (i.e. poles and wires) are not covered under insurance for physical damage. This is customary in North

America as the cost of the coverage is not considered economical. Insurance is subject to coverage limits as well as time-sensitive claims discovery and reporting provisions and there is no assurance that the types of liabilities that may be incurred by the Company will be covered by insurance.

For material uninsured losses, the Company expects that it would seek regulatory relief. However, there is no assurance that regulatory relief would be received. Any major damage to the physical assets of the Company could result in repair costs and customer claims that are substantial in amount and which could have a material adverse effect on the Company's results of operations, cash flows and financial position.

It is expected that existing insurance coverage will be maintained. However, there is no assurance that the Company will be able to obtain or maintain adequate insurance in the future at rates considered reasonable or that insurance will continue to be available on terms comparable to those now existing.

Weather: The physical assets of the Company are exposed to the effects of severe weather conditions and other acts of nature. Although the physical assets have been constructed, operated and maintained to withstand severe weather, there is no assurance that they will successfully do so in all circumstances. This could result in the interruption of electricity service in a manner that could have a material adverse effect on the Company's results of operations, cash flows and financial position.

Labour Relations: Approximately 54% of the employees of the Company are members of the International Brotherhood of Electrical Workers labour union (the "IBEW") which had entered into two collective bargaining agreements with the Company. The two agreements expired on September 30, 2008. The Company and the IBEW reached a tentative agreement in January 2009; however, the tentative agreement is subject to ratification by the members.

The inability to renew the collective bargaining agreements on acceptable terms could result in increased labour costs, or service level declines associated with job action, which could have a material adverse effect on the results of operations, cash flows and financial position of the Company.

2008 ACCOUNTING CHANGES

Future Income Tax: The PUB ordered that future income tax on temporary timing differences between pension expense and pension funding be recognized and included in the determination of customer rates commencing January 1, 2008. The Company recognized future income tax expense of $0.6 million during 2008, and a corresponding future income tax liability, in accordance with this order. This change had no impact on earnings for the period as the additional expense was reflected in customer rates effective January 1, 2008.

Inventories: Effective January 1, 2008, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031 - Inventory. It requires inventories to be measured at the lower of cost or net realizable value; disallows the use of a last-in first-out inventory costing methodology; and, requires that, when circumstances which previously caused inventories to be written down below cost no longer exist, the amount of the write down is to be reversed. As at January 1, 2008, inventories of $4.3 million (2007 - $4.1 million) were reclassified to capital assets on the balance sheet as they are held for the development, construction, maintenance and repair of other capital assets. Inventories expensed in 2008 and 2007 were immaterial.

Capital Disclosures: Effective January 1, 2008, the Company adopted the new CICA Handbook Section 1535 - Capital Disclosures. It requires Newfoundland Power to include additional information in the notes to the financial statements about its capital and the manner in which it is managed. This additional disclosure includes quantitative and qualitative information regarding objectives, policies and processes for managing capital. This new standard did not have any impact on the Company's 2008 financial results. The additional required disclosure is provided in Note 17 to the Company's 2008 annual audited financial statements.

Disclosure and Presentation of Financial Instruments: Effective January 1, 2008, the Company adopted Sections 3862 and 3863 of the CICA Handbook which set out new accounting recommendations for disclosure and presentation of financial instruments. The new recommendations require disclosure of both quantitative and qualitative information that enables users of financial statements to evaluate the nature and extent of risks from financial instruments to which the Company is exposed. These recommendations did not have any impact on the Company's financial results. The additional required disclosure is included in Note 18 to the Company's 2008 annual audited financial statements.

FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards ("IFRS"): In February 2008, the Accounting Standards Board ("AcSB") confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an IFRS Omnibus Exposure Draft proposing that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011. On June 27, 2008 the Canadian Securities Administrators ("CSA") issued Staff Notice 52-321, Early Adoption of IFRS which indicated that the CSA would be prepared to grant an exemption to allow Canadian financial statement issuers to adopt IFRS early on a case-by-case basis, provided that they could demonstrate that they met certain conditions. Newfoundland Power is not expecting to adopt IFRS early.

The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010. The AcSB proposes that CICA Handbook Section - Accounting Changes, paragraph 1506.30, which would require an entity to disclose information relating to a new primary source of GAAP that has been issued but is not yet effective and that the entity has not applied, not be applied with respect to the IFRS Omnibus Exposure Draft.

Newfoundland Power is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable. Newfoundland Power does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required as well as system changes that may be necessary to gather and process the required information.

The Company commenced its IFRS conversion project in 2007 and has established a formal project governance structure. Regular progress reports are provided to the Audit & Risk Committee of the Board of Directors of Newfoundland Power. An external expert advisor has been engaged to assist in the IFRS conversion project.

The Newfoundland Power IFRS conversion project consists of three phases: scoping and diagnostics, analysis and development, and implementation and review.

Phase One: scoping and diagnostics, which involved project planning and staffing and identification of differences between current Canadian GAAP and IFRS, has been completed. Identified areas of accounting difference of highest potential impact to the Company, based on existing IFRS, are rate regulated accounting, property plant and equipment, provisions and contingent liabilities, employee benefits, income taxes and initial adoption of IFRS under the provisions of IFRS 1 First-Time Adoption of IFRS.

Phase Two: analysis and development is nearing completion, and involves detailed diagnostics and evaluation of the financial impacts of various options and alternative methodologies provided for under IFRS; identification and design of operational and financial business processes; initial staff and audit committee training; analysis of IFRS 1 optional exemptions and mandatory exceptions to the general requirement for full retrospective application upon transition to IFRS; summarization of 2011 IFRS disclosure requirements; and, development of required solutions to address identified issues.

It is anticipated that the adoption of IFRS will have an impact on information system requirements. Newfoundland Power is assessing the need for system upgrades or modifications to ensure an efficient conversion to IFRS. As part of Phase Two, information system plans are being prepared for implementation in Phase Three. The degree of this impact is not reasonably determinable at this time.

The Company has completed a preliminary assessment of the impacts of adopting IFRS on debt covenants and other contractual arrangements; however, a final assessment cannot be completed at this time pending the outcome of the project on rate-regulated activities that was recently added to the International Accounting Standards Board's ("IASB") technical agenda.

The Company expects to identify transitional issues and propose to the PUB how those issues might be addressed within the framework of cost of service regulation.

Phase Three: implementation and review, expected to commence mid-year 2009, will involve the execution of changes to information systems and business processes; completion of formal authorization processes to approve recommended accounting policy changes; and, further training programs across the Company as necessary. It will culminate in the collection of financial information necessary to compile IFRS-compliant financial statements and reconciliations; embedding of IFRS in business processes; and, audit committee approval of IFRS compliant financial statements.

Newfoundland Power will continue to review all proposed and continuing projects of the IASB, particularly the project on rate-regulated activities that was recently added to the IASB's technical agenda, and proposed amendments to IFRS 1 for entities with operations subject to rate regulation, and will participate in any related processes as appropriate. In the event regulated assets and liabilities are not permissible under IFRS, this could result in increased volatility in the Company's earnings and balance sheet from that reported under Canadian GAAP.

Rate-Regulated Operations: Given its strategic plan to adopt IFRS, the AcSB revisited the scope of its project on accounting for rate-regulated operations in recognition of the fact that IFRS do not currently provide any special guidance with respect to accounting practices that are unique to rate-regulated entities. As a result, it has removed certain guidance from the CICA Handbook. Newfoundland Power's assessment of these changes is that effective January 1, 2009 it will be required to (i) disclose separately on its balance sheets future income tax assets and liabilities that, in accordance with PUB approved accounting policies, are currently unrecognized along with corresponding regulatory liabilities and assets, and (ii) include in these amounts the future income tax effects of the subsequent settlement of the regulatory assets and liabilities through customer rates. These changes would not affect earnings or cash flows. If calculated in accordance with the revised guidance, the net unrecognized future income tax liability now disclosed in Note 2 to the Company's 2008 annual financial statements would increase by approximately $30.3 million (2007 - increase of approximately $30.7 million) to $102.9 million at December 31, 2008 (December 31, 2007 - $105.1 million).

Goodwill and Intangible Assets: Effective January 1, 2009, the Company will adopt new CICA Handbook Section 3064 - Goodwill and Intangible Assets, which effectively converges Canadian GAAP for intangible assets with IFRS. The new standard provides more comprehensive guidance on the definition and initial recognition criteria of intangible assets,

including internally generated intangible assets. The impact of the adoption of this standard on the Company's financial statements will result in the reclassification of certain assets currently included in capital assets to intangible assets. The items to be reclassified consist of computer software and land rights. As at December 31, 2008, $13.8 million and $2.3 million are included in capital assets related to computer software and land rights, respectively.

CRITICAL ACCOUNTING ESTIMATES

Preparation of the Company's financial statements in accordance with GAAP requires management to make estimates and judgements that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosure of contingencies and commitments. Estimates and judgements are based on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions. The critical accounting estimates involving the more significant estimates and judgements used in the preparation of the Company's financial statements follow.

Capital Asset Amortization: By its nature, capital asset amortization is an estimate based primarily on the useful lives of capital assets. Estimated useful lives are based on current facts and historical information and take into consideration the anticipated physical lives of the assets. The Company's amortization methodology, including amortization rates, accumulated amortization and estimated remaining service lives, is subject to a periodic study by external experts. The difference between actual accumulated amortization and that indicated by the amortization study is amortized and included in customer rates in a manner prescribed by the PUB.

The most recent amortization study, based on capital assets in service as at December 31, 2005, indicates an accumulated amortization variance of approximately $0.7 million. The PUB ordered that it be amortized as a decrease in amortization expense equally over 2008-2011. The PUB has also ordered that revised amortization rates arising from the amortization study be implemented effective January 1, 2008. As a result, the total composite amortization rate declined from 3.5% to 3.4% for 2008. It is management's judgement that these changes will not have a significant impact on the Company's earnings, cash flow and financial position because the changes are reflected in 2008 customer rates pursuant to the 2008 GRA.

The estimate of future removal and site restoration costs, net of salvage proceeds, is based on historical experience and future expected cost trends. The balance of this regulatory liability at December 31, 2008 was $48.0 million (December 31, 2007 - $47.4 million). The net amount of estimated future removal and site restoration costs provided for and reported in amortization expense during 2008 was $4.6 million (2007 - $3.5 million).

Capitalized Overhead: Newfoundland Power capitalizes overhead costs which are not directly attributable to specific capital assets, but which relate to the overall capital expenditure program. Capitalization reflects estimates of the portions of various general expenses that relate to the overall capital expenditures program in accordance with a methodology ordered by the PUB. These general expenses capitalized ("GEC") are allocated over constructed capital assets and amortized over their estimated service lives. In 2008, GEC totalled $2.8 million (2007 - $2.8 million). Changes to the methodology for calculating and allocating general overhead costs to capital assets could have a material impact on the amounts recorded as operating expenses versus capital assets. However, any change in the fundamental methodology for the calculation and allocation of GEC would require the approval of the PUB.

Employee Future Benefits: The Company's primary defined benefit pension plan is subject to judgments utilized in the actuarial determination of the pension expense and related obligation. The primary assumptions utilized by management

in determining the pension expense and the accrued benefit obligation are the discount rate and the expected long-term rate of return on plan assets. All defined benefit pension plan assumptions are assessed and concluded in consultation with the Company's external actuarial advisor.

The discount rate as at December 31, 2008, which is utilized to determine the accrued benefit obligation and the 2009 pension expense, is 7.5% compared to the discount rate of 5.5% as at December 31, 2007. Discount rates reflect market interest rates on high quality bonds with cash flows that match the timing and amount of expected pension benefit payments. This methodology is consistent with that used to determine the discount rate in the previous year. The increase in discount rates reflects the increased credit spreads and cost of capital on investment grade corporate bonds.

The expected long-term rate of return on pension plan assets which is used to estimate the 2009 defined benefit pension expense is 7%. This compares to an expected long-term rate of return of 7.5% used in 2008. The actual rate of return on pension plan assets during 2008 was a loss of 16.6%. As in previous years, an actuary provided the Company with a range of expected long-term pension asset returns based on their internal modelling. The expected long-term return on pension plan assets of 7% falls within the conservative to normal range as indicated by the actuary.

In 2009, the Company expects the pension expense related to its primary defined benefit pension plan to decrease by approximately $0.8 million compared to 2008. This is driven by the higher discount rate, partially offset by the amortization of 2008 experience losses associated with the pension plan assets and a lower assumed long-term rate of return on pension assets for 2009. The impact of the decline in pension assets in 2008, as it relates to the 2009 pension expense, was also mitigated as the pension assets are valued using the market related method as outlined in Note 2 to the 2008 annual audited financial statements. Beyond 2009, pension expense is expected to increase as a result of the decline in pension plan assets in 2008.

The following table provides sensitivity to the changes in the primary assumptions associated with the Company's defined benefit pension plan.

($millions)	**Pension Expense**
Impact of increasing rate of return on assets assumption by 100 basis points (bps)	(2.6)
Impact of decreasing the rate of return on assets assumption by 100 bps	2.6
Impact of increasing the discount rate assumption used during 2008 by 100 bps	(2.6)
Impact of decreasing the discount rate assumption used during 2008 by 100 bps	3.6

Other assumptions are the average rate of compensation increase, average remaining service life of the active employee group, and mortality rates.

The Company's other post-retirement benefits are also subject to judgements utilized in the actuarial determination of the expense and related obligation. Assumptions utilized by management in determining other post-employment benefit plan costs and obligations include the health care cost trend rate and the foregoing assumptions, excluding the expected long-term rate of return on plan assets and average rate of compensation increase.

In accordance with PUB orders, Newfoundland Power expenses the cost of other post-employment benefits on a cash basis, whereby the difference between the cash payments during the year and the expense incurred in the year is deferred as a regulatory asset. Therefore, changes in assumptions cause changes in the regulatory asset and do not impact earnings. Other post-employment benefits costs deferred as a regulatory asset in 2008 totalled $6.6 million (2007 - $6.7 million) and the regulatory asset at December 31, 2008 was $41.1 million (2007 - $34.5 million).

Asset Retirement Obligations: The measurement of the fair value of asset retirement obligations ("AROs") requires the Company to make reasonable estimates about the method of settlement and settlement dates associated with legally obligated asset retirement costs. While the Company has AROs provided for its hydroelectric generation assets and certain distribution and transmission assets, there were no amounts recognized as at December 31, 2008 and December 31, 2007. The nature, amount and timing of AROs for generation assets cannot be reasonably estimated at this time as these assets are expected to effectively operate in perpetuity given their nature. In the event that environmental issues are identified or generation assets are decommissioned, AROs will be recorded at that time provided the costs can be reasonably estimated. It is management's judgement that identified AROs for its remaining assets are immaterial.

Revenue Recognition: The Company recognizes electricity revenue on an accrual basis. Customer bills are issued throughout the month based on meter readings that establish electricity consumption by the customer since the last meter reading. The unbilled revenue accrual for each period is based on estimated electricity sales to customers for the period since the last meter reading at the rates approved by the PUB. The development of the electricity sales estimates requires analysis of electricity consumption on a historical basis in relation to key inputs such as the current price of electricity, population growth, economic activity, weather conditions and system losses. The estimation process for accrued unbilled electricity consumption will result in adjustments to electricity revenue in the period during which the difference between actual results and those estimated becomes known. As at December 31, 2008, the amount of accrued unbilled revenue was approximately $30.5 million (December 31, 2007 - $28.3 million).

SELECTED ANNUAL INFORMATION

($millions, except per share amounts)	2008	2007[6]	2006[6]
Results of Operations			
Revenue	516.9	491.7	422.4
Net Earnings Applicable to Common Shares	32.3	29.9	30.1
Financial Position			
Total Assets	1,001.9	985.9	929.2
Total Long-term Liabilities	534.6	537.7	479.3
Shareholders' Equity	383.1	366.0	345.2
Per Share Data			
Earnings Applicable to Common Shares[7]	3.13	2.89	2.91
Common Dividends Declared[7]	1.48	0.88	1.76
Preferred Dividends Declared[8]	2.56	2.56	2.56

[6] *Certain amounts have been reclassified to conform with the presentation for 2008.*

[7] *Basic and fully diluted. Based on the weighted average number of common shares outstanding, which was 10,320,270 common shares in each year.*

[8] *Based on the aggregate weighted average number of preference shares outstanding in each year, which was 935,223 in both 2008 and 2007 and 935,323 in 2006. In 2007, the Company repurchased 100 preference shares at $10 per share (2006 - 5,700 preference shares at $10 per share). No preference shares were repurchased by the Company in 2008.*

The changes from 2007 to 2008 have been discussed previously in this Management Discussion and Analysis. The increase in total assets from 2006 to 2007 was due primarily to continued investment in the electricity system and is consistent with the Company's strategy to provide safe and reliable electricity service at the lowest reasonable cost. The increase in total long-term liabilities from 2006 to 2007 reflects the reclassification of credit facility borrowings from current to non-current in 2007. The decrease in common dividends from 2006 to 2007 reflects the retention of earnings in order to finance capital expenditures and maintain a capital structure composed of approximately 45% equity and 55% debt.

QUARTERLY RESULTS

	First Quarter March 31		Second Quarter June 30		Third Quarter September 30		Fourth Quarter December 31	
(unaudited)	2008	2007	2008	2007	2008	2007	2008	2007
Electricity Sales (GWh)	1,716.2	1,663.2	1,183.0	1,172.0	896.8	874.0	1,412.2	1,383.6
Revenue ($millions)	164.9	154.8	118.9	115.1	94.1	89.2	139.0	132.6
Earnings Applicable to Common Shares ($millions)	6.2	10.5	10.1	8.0	8.1	2.7	7.9	8.7
Earnings per Common Share ($)[9]	0.60	1.02	0.98	0.77	0.79	0.26	0.76	0.84

[9] *Basic and fully diluted.*

Seasonality

Sales and Revenue: Sales and revenue are significantly higher in the first quarter and significantly lower in the third quarter compared to the remaining quarters. This reflects the seasonality of electricity consumption for heating.

Earnings: Beyond the seasonality of sales and revenue, operating costs tend to be higher in the third quarter compared to the remaining quarters because certain maintenance procedures are more typically performed during the warmer seasons.

The purchased power rate structure effective January 1, 2007 resulted in the Company paying more, on average, for each kilowatt hour ("kWh") of power purchased in the fall and winter months and less, on average, during the spring and summer months. Quarterly revenue, however, continued to be based on customer rates that reflect the average annual cost per kWh. In 2007, differences between the estimated quarterly purchased power expense and that based on the actual cost per kWh were adjusted to the PPUCVR, with no effect on annual purchased power expense or cash flows. Pursuant to the Company's 2008 GRA, the PUB ordered that the PPUCVR be discontinued effective January 1, 2008. Quarterly purchased power expense for 2008 and future years is expected to reflect the actual cost per kWh. Prior to 2008, these sales, revenue and operating cost dynamics yielded higher earnings in the first (winter) quarter and much lower earnings in the third (summer) quarter compared to the remaining quarters.

Trending

Sales and Revenue: Year-over-year quarterly electricity sales increases primarily reflect moderate customer growth. Quarterly revenue increases for 2008 compared to 2007 reflect electricity sales growth and the January 1, 2008 rate increase pursuant to the Company's 2008 GRA.

Earnings: Quarterly earnings for 2008 were not consistent with 2007. The variability of quarterly earnings for 2008 compared to 2007 was primarily due to a seasonal earnings shift as described under "Seasonality" in this Management Discussion and Analysis. In subsequent years, earnings in the first quarter and fourth quarter are expected to be lower and earnings in the second and third quarters are expected to be higher, compared to the remaining quarters.

Beyond the impact of expected moderate sales growth, future quarterly earnings and earnings per share are expected to trend with the ROE reflected in customer rates and rate base growth.

OUTLOOK

It is expected that the Company's strategy will remain unchanged.

In accordance with the operation of the Formula, the Company's 2009 customer rates were not changed from 2008 customer rates. On December 22, 2008, the Company received an Order from the PUB continuing the Company's rate of return on rate base of 8.37%, with a range of 8.19% to 8.55% for 2009.

Newfoundland Power expects to maintain its investment grade credit ratings in 2009.

Newfoundland Power is regulated under a cost of service regime. Cost of service regulation entitles the Company to an opportunity to recover its reasonable cost of providing service, including its cost of capital, in each year. The Company is currently assessing the requirement for it to file an application with the PUB to recover increased costs in 2010, including any increased costs arising from recent economic conditions.

Management Report

The accompanying 2008 Financial Statements of Newfoundland Power Inc. and all information in the 2008 Annual Report have been prepared by management, who are responsible for the integrity of the information presented, including the amounts that must, of necessity, be based on estimates and informed judgments. These Financial Statements were prepared in accordance with accounting principles generally accepted in Canada, including selected accounting treatments that differ from those used by entities not subject to rate regulation. Financial information contained elsewhere in the 2008 Annual Report is consistent with that in the Financial Statements.

In meeting its responsibility for the reliability and integrity of the Financial Statements, management has developed and maintains a system of accounting and reporting which provides for the necessary internal controls to ensure transactions are properly authorized and recorded, assets are safeguarded and liabilities are recognized. The systems of the Company focus on the need for training of qualified and professional staff and the effective communication of management guidelines and policies. The effectiveness of the internal controls of Newfoundland Power Inc. is evaluated on an ongoing basis.

The Board of Directors oversees management's responsibility for financial reporting through an Audit & Risk Committee which is composed entirely of external independent directors. The Audit & Risk Committee oversees the external audit of the Company's Annual Financial Statements and the accounting and financial reporting and disclosure processes and policies of the Company. The Audit & Risk Committee meets with management, the shareholders' auditors and the internal auditor to discuss the results of the audit, the adequacy of internal accounting controls and the quality and integrity of financial reporting. The Company's Annual Financial Statements are reviewed by the Audit & Risk Committee with each of management and the shareholders' auditors before the statements are recommended to the Board of Directors for approval. The shareholders' auditors have full and free access to the Audit & Risk Committee.

The Audit & Risk Committee has the duty to review the adoption of, and changes in, accounting principles and practices which have a material effect on the Company's financial statements and to review and report to the Board of Directors on policies relating to accounting and financial reporting and disclosure processes. The Audit & Risk Committee has the duty to review financial reports requiring the approval of the Board of Directors prior to submission to securities commissions or other regulatory authorities, to assess and review management's judgments that are material to reported financial information and to review shareholders' auditors' independence and auditors' fees.

The December 31, 2008 Financial Statements and Management Discussion and Analysis contained in the 2008 Annual Report were reviewed by the Audit & Risk Committee and, on their recommendation, were approved by the Board of Directors of Newfoundland Power Inc. Ernst & Young, LLP, independent auditors appointed by the shareholders of Newfoundland Power Inc. upon recommendation of the Audit & Risk Committee, have performed an audit of the 2008 Financial Statements and their report follows.

Earl Ludlow
President
and Chief Executive Officer

Jocelyn Perry
Vice President, Finance
and Chief Financial Officer

Auditors' Report

To the Shareholders,
Newfoundland Power Inc.

We have audited the balance sheets of Newfoundland Power Inc. as at December 31, 2008 and 2007 and the statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst + Young LLP

Chartered Accountants
St. John's, Canada

January 22, 2009

Statements of Earnings
For the years ended December 31
(in thousands of Canadian dollars except per share amounts)

	2008	2007
Revenue	$ 516,889	$ 491,709
Purchased Power	336,658	326,778
Net Margin	180,231	164,931
Operating Expenses	47,132	47,501
Pension and Early Retirement Program Costs	3,040	5,701
Amortization	40,649	39,955
Amortization True-Up Deferral *(Note 4)*	3,862	(5,793)
Finance Charges *(Note 5)*	33,507	34,939
	128,190	122,303
Earnings before Income Taxes	52,041	42,628
Income Taxes *(Note 6)*	19,146	12,176
Net Earnings	32,895	30,452
Preference Share Dividends	554	586
Net Earnings Applicable to Common Shares	$ 32,341	$ 29,866
Basic and Diluted Earnings per Common Share	$ 3.13	$ 2.89

Statements of Retained Earnings
For the years ended December 31
(in thousands of Canadian dollars)

	2008	2007
Balance, Beginning of the Year	$ 286,350	$ 265,566
Net Earnings	32,895	30,452
Dividends		
Preference shares	(554)	(586)
Common shares	(15,274)	(9,082)
Balance, End of the Year	$ 303,417	$ 286,350

See accompanying notes to financial statements.

Balance Sheets
As at December 31
(in thousands of Canadian dollars)

	2008	2007
Assets		
Current assets		
Cash	$ 619	$ 1,067
Accounts receivable	63,508	70,792
Regulatory assets *(Note 4)*	9,426	7,086
Materials and supplies	1,016	928
Prepaid expenses	1,292	1,190
Income tax receivable	-	1,780
	75,861	82,843
Capital assets *(Note 7)*	774,957	750,794
Deferred charges *(Note 8)*	93,273	88,674
Regulatory assets *(Note 4)*	55,988	61,808
Customer finance plans *(Note 9)*	1,776	1,811
	$1,001,855	$ 985,930
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued charges	$ 65,548	$ 68,685
Regulatory liabilities *(Note 4)*	6,428	9,020
Current instalments of long-term debt *(Note 13)*	4,550	4,550
Income tax payable	7,633	-
	84,159	82,255
Regulatory liabilities *(Note 4)*	54,817	60,593
Other liabilities *(Note 14)*	45,001	38,082
Future income taxes *(Note 6)*	1,184	-
Long-term debt *(Note 13)*	433,604	438,977
	618,765	619,907
Shareholders' equity		
Common shares *(Note 10)*	70,321	70,321
Preference shares *(Note 10)*	9,352	9,352
Retained earnings	303,417	286,350
	383,090	366,023
	$1,001,855	$ 985,930

Commitments *(Note 19)*

See accompanying notes to financial statements.

APPROVED ON BEHALF OF THE BOARD:

Chris Griffiths
Director

David Norris
Director

Statements of Cash Flows
For the years ended December 31
(in thousands of Canadian dollars)

	2008	2007
Cash From (Used In) Operating Activities		
Net earnings	$ 32,895	$ 30,452
Items not affecting cash		
Amortization of capital assets	40,649	39,955
Amortization of deferred charges	298	318
Change in regulatory assets and liabilities	305	(6,180)
Future income taxes	1,184	-
Accrued employee future benefits	(4,471)	(7,407)
Change in non-cash working capital	14,191	(7,887)
	85,051	49,251
Cash From (Used In) Investing Activities		
Capital expenditures (net of salvage)	(67,333)	(72,167)
Long-term portion of finance programs	35	(84)
Contributions from customers and security deposits	3,227	2,580
	(64,071)	(69,671)
Cash From (Used In) Financing Activities		
Change in short-term borrowings	-	(320)
Proceeds from long-term debt	33,500	70,000
Proceeds from related party loan *(Note 11)*	32,500	-
Repayment of long-term debt	(39,050)	(37,851)
Repayment of related party loan *(Note 11)*	(32,500)	-
Payment of debt financing costs	(50)	(273)
Redemption of preference shares	-	(1)
Dividends		
Preference shares	(554)	(586)
Common shares	(15,274)	(9,082)
	(21,428)	21,887
Increase (Decrease) in Cash	(448)	1,467
Cash (Bank Indebtedness), Beginning of the Year	1,067	(400)
Cash, End of the Year	$ 619	$ 1,067

Supplementary Information to Statements of Cash Flows (Note 15)

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2008

Tabular amounts are in thousands of Canadian dollars unless otherwise noted.

1. Description of Business

Newfoundland Power Inc. (the "Company" or "Newfoundland Power") is a regulated electricity utility that operates an integrated generation, transmission and distribution system throughout the island portion of Newfoundland and Labrador. The Company is regulated by the Newfoundland and Labrador Board of Commissioners of Public Utilities (the "PUB") and serves approximately 236,000 customers comprising about 85% of all electricity consumers in the province. The Company is a wholly-owned subsidiary of Fortis Inc. ("Fortis"). Newfoundland Power has an installed generating capacity of 140 megawatt ("MW"), of which approximately 97 MW is hydroelectric generation. It generates approximately 8% of its energy needs and purchases the remainder from Newfoundland and Labrador Hydro ("Hydro").

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). As a result of rate regulation, the timing of the recognition of certain assets, liabilities, revenues and expenses may differ from that otherwise expected under Canadian GAAP for entities not subject to rate regulation. These differences are disclosed below and in Note 4.

Regulation

The Company operates under cost of service regulation as administered by the PUB under the Public Utilities Act (Newfoundland and Labrador) ("Public Utilities Act").

The Public Utilities Act provides for the PUB's general supervision of the Company's utility operations and requires the PUB to approve, among other things, customer rates, capital expenditures and the issuance of securities. The Public Utilities Act also entitles the Company an opportunity to recover all reasonable and prudent costs incurred in providing electricity service to its customers, including a just and reasonable return on its rate base. The rate base consists of the net assets required by the Company to provide service to customers.

The determination of the forecast return on rate base, together with the forecast of all reasonable and prudent costs, establishes the revenue requirement upon which the Company's customer rates are determined through a general rate hearing. Rates are bundled to include generation, transmission and distribution services.

As a result of the Company's 2008 General Rate Application ("2008 GRA"), the forecast cost of common equity reflected in customer rates for 2008 is 8.95% (2007 - 8.60%). Between general rate hearings, customer rates are established annually through the operation of an automatic adjustment formula (the "Formula") that sets an appropriate annual rate of return on rate base based upon changes in the forecast cost of common equity. In accordance with the operation of the Formula, as approved by the PUB in 2008, the Company's rate of return on rate base was set at 8.37%, with a range of 8.19% to 8.55% for 2009, unchanged from 2008.

Revenue Recognition

Revenue arising from the amortization of certain regulatory assets and liabilities is recognized in the manner prescribed by the PUB, as disclosed in Note 4. Otherwise, revenue is recognized under the accrual method.

Capital Assets

Capital assets are stated at values approved by the PUB as at June 30, 1966, with subsequent additions at cost. Contributions in aid of construction represent the cost of utility capital assets contributed by customers and government. These contributions are recorded as a reduction in the cost of utility capital assets and are being reduced annually by an amount equal to the charge for amortization provided on the related assets.

The Company capitalizes certain overhead costs not directly attributable to specific capital assets but which do relate to its overall capital expenditure program (general expenses capitalized or "GEC"). The methodology for calculating and allocating GEC among classes of capital assets is established by PUB order. In the absence of rate regulation, only those overhead costs directly attributable to construction activity would be capitalized. In 2008, GEC totalled $2.8 million (2007 - $2.8 million).

The Company capitalizes an allowance for funds used during construction ("AFUDC"), which represents the cost of debt and equity financing incurred during construction of capital assets. Effective January 1, 2008, AFUDC is calculated in a manner prescribed by the PUB based on a capitalization rate that is the Company's weighted average cost of capital. Prior to that, AFUDC was calculated based on a capitalization rate that, depending on the source of financing, may be either (i) the Company's average short-term borrowing rate; (ii) its rate of return on rate base; or (iii) a blended average of these two rates. In 2008, the cost of equity financing capitalized as an AFUDC and deducted from financing charges was approximately $0.3 million (2007 - $0.2 million). In the absence of rate regulation, this cost of equity financing would be expensed.

Capital assets are amortized using the straight-line method by applying the amortization rates disclosed below to the average original cost, including GEC and AFUDC, of the related assets. A half-year of amortization is recognized on capital assets during the year in which they are placed into service and during the year of disposition.

The composite amortization rates for the Company's capital assets, as well as their service life ranges and average remaining service lives as at December 31, follow.

	Composite Amortization Rate		Service Life (Years)			
			Range		Average Remaining	
	2008	2007	2008	2007	2008	2007
Distribution	3.1%	3.3%	16-65	16-65	23	23
Transmission and substations	2.9	2.8	31-65	31-65	26	26
Generation	2.6	2.2	13-75	13-75	32	32
Transportation and communications	8.9	8.7	5-30	5-30	5	5
Buildings	2.3	2.5	35-70	35-70	27	27
Equipment	9.0	9.2	5-25	5-25	5	5
	3.4%	3.5%				

The Company's amortization methodology, including amortization rates, accumulated amortization and estimated remaining service lives, is subject to periodic review by external experts (the "Amortization Study"). The differences between actual accumulated amortization and that indicated by the Amortization Study (the "Amortization True-Up") is deferred as a regulatory asset (liability), and is amortized as an increase (decrease) in amortization expense and included in customer rates in a manner prescribed by the PUB. The most recent Amortization Study, based on capital assets in service as at December 31, 2005, indicates an Amortization True-Up of approximately $0.7 million. The PUB ordered that it be amortized as a decrease in amortization expense equally over 2008 - 2011. See Note 4.

Effective January 1, 2008, the PUB ordered the implementation of the revised amortization rates arising from the Company's most recent Amortization Study. As a result, the composite amortization rate declined to 3.4% in 2008 from 3.5% in 2007.

Upon disposition, the original cost of capital assets is removed from the capital asset accounts. That amount, net of salvage proceeds, is also removed from accumulated amortization. As a result, any gain or loss is charged to accumulated amortization and is effectively included in the Amortization True-Up arising from the next Amortization Study. In 2008, approximately $6.8 million (2007 - $7.2 million) of losses were charged to accumulated amortization. In the absence of rate-regulation, these amounts would have been recognized as losses upon disposition.

Materials and Supplies
Effective January 1, 2008, in accordance with the adoption of the new Canadian Institute of Chartered Accountants ("CICA") Handbook section 3031 - Inventory, materials and supplies, representing fuel and materials required for maintenance activities, are carried at the lower of cost or net realizable value. This standard has been applied retroactively to 2007.

Deferred Capital Stock Issue Costs
Capital stock issue costs are recognized as deferred charges and are amortized as finance charges on a straight-line basis over 20 years. In the absence of rate regulation, capital stock issue costs would be recognized as a reduction in share capital and would not be amortized.

Future Income Taxes
Effective January 1, 1981, as prescribed by the PUB, future income tax liabilities are recognized, and recovered in customer rates, on temporary timing differences associated with the cumulative excess of capital cost allowance over amortization of capital assets, excluding GEC.

Future income tax expense (recovery) associated with the Company's regulatory reserves and certain regulatory deferrals is also recognized and included in the determination of customer rates. See Note 4.

Effective January 1, 2008, as prescribed by the PUB, future income taxes are recognized and recovered in customer rates on temporary timing differences between pension expense and pension funding.

Future income tax assets and liabilities associated with other temporary timing differences between the tax basis of assets and liabilities and their carrying amount are not recognized or included in customer rates. Unrecognized amounts are expected to be recovered from (refunded to) customers through rates when the income taxes actually become payable (recoverable). The Company's unrecognized net future income tax liability at December 31, 2008 was $72.6 million (2007 - $74.4 million).

Employee Future Benefits
Newfoundland Power maintains defined contribution and defined benefit pension plans for its employees and also provides other post-employment benefits ("OPEBs"). OPEBs are composed of retirement allowances for retiring employees as well as health, medical and life insurance for retirees and their dependants.

Defined Contribution and Defined Benefit Pension Plans
Defined contribution pension plan costs are expensed as incurred.

The pension costs and accrued benefit obligations of the defined benefit pension plans are actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. Pension plan assets are valued using the market-related value where investment returns in excess of or below expected returns are recognized in asset value over a period of three years. The excess of the cumulative net actuarial gain or loss over 10% of the greater of the benefit obligation and the market-related value of plan assets is amortized over the estimated average remaining service period of active employees. The transitional obligation arising from the Company's January 1, 2000 adoption of Section 3461 of the CICA Handbook is being amortized on a straight-line basis over the 18 year expected average remaining service period of plan members at that time. Unamortized past service costs are amortized over a range of 5 - 15 years. See Notes 4 and 16.

OPEBs
OPEBs costs, excluding retirement allowances arising from the Company's 2005 Early Retirement Program ("ERP"), are expensed when benefits are paid. As ordered by the PUB, in 2007, the Company completed expensing the final portion of retirement allowances associated with its 2005 ERP in the amount of $0.1 million. In the absence of rate regulation, OPEBs costs would be recognized as expense on an accrual basis as actuarially determined. The portion of the actuarially determined costs that is not recognized as an expense is deferred as a regulatory asset, as these costs are expected to be recovered in future customer rates in a manner determined by the PUB. See Note 4.

OPEBs costs and the accrued OPEB obligation are actuarially determined using the projected benefits method prorated on service and best estimate assumptions. The excess of any cumulative net actuarial gain or loss over 10% of the benefit obligation, along with unamortized past service costs is amortized over the estimated average remaining service period of active employees. The transitional obligation arising from the Company's January 1, 2000 adoption of Section 3461 of the CICA Handbook is being amortized on a straight-line basis over the 18 year expected average

remaining service period of plan members at that time. In each case, amortization is recognized as a change in both the OPEBs regulatory asset and the accrued OPEBs liability.

In the absence of rate regulation, OPEBs costs recognized in 2008 operating expenses would have been $6.5 million higher (2007 - $6.7 million higher).

Financial Instruments

The Company has designated its financial instruments as follows:

(a) Cash is classified as "Held for Trading". After its initial fair value measurement, any change in fair value is recognized in earnings.
(b) Accounts receivable and loans under customer finance plans (Note 9) are classified as "Loans and Receivables". Short-term borrowings, bank indebtedness, accounts payable and accrued charges, security deposits (Note 14), and long-term debt are classified as "Other Financial Liabilities". Initial measurement is at fair value and incorporates transaction costs, including deferred debt issue costs. Subsequent measurement is at amortized cost using the effective interest method. For the Company, the measurement amount approximates cost.

Asset Retirement Obligations

Under Canadian GAAP, the Company is required to record the fair value of future expenditures necessary to settle legal obligations associated with asset retirements even though the timing or method of settlement is conditional on future events. Newfoundland Power has determined that there are asset retirement obligations ("AROs") associated with its generation assets and some parts of its transmission and distribution system.

For generation assets, the legal obligation is the environmental remediation of the land and waterways to protect fish habitat. However, this obligation is conditional on the decision to decommission generation assets. The Company currently has no plans to decommission any of its hydroelectric generation assets as they are effectively operated in perpetuity. Therefore, the nature and fair value of any ARO is not currently determinable.

For the transmission and distribution system, the legal obligations, which pertain to the proper disposal of fuel storage tanks, used oil and asbestos, were determined to be immaterial. Therefore, no AROs have been recognized.

The Company will recognize AROs and offsetting capital assets if the nature and timing can reasonably be determined and the amount is material.

Use of Accounting Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Additionally, certain estimates are necessary since the regulatory environment in which the Company operates may require amounts to be recorded at estimated values until these amounts are finalized pursuant to PUB Order.

Estimates are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Due to changes in facts and circumstances and the inherent uncertainty involved in making estimates, actual results may differ from current estimates. Estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period during which they either, as appropriate, become known or included in customer rates.

3. Change in Accounting Policies

2008 Changes

Future Income Tax: The PUB ordered that future income tax on temporary timing differences between pension expense and pension funding be recognized and included in the determination of customer rates commencing January 1, 2008. The Company recognized future income tax expense of $0.6 million during 2008, and a corresponding future income tax liability, in accordance with this order. This change had no impact on earnings for the year as the additional expense was reflected in customer rates effective January 1, 2008

Inventories: Effective January 1, 2008, the Company adopted the new CICA Handbook Section 3031 - Inventory. It requires inventories to be measured at the lower of cost or net realizable value; disallows the use of a last-in first-out inventory costing methodology; and, requires that, when circumstances which previously caused

inventories to be written down below cost no longer exist, the amount of the write down is to be reversed. As at January 1, 2008, inventories of $4.3 million (2007 - $4.1 million) were reclassified to capital assets on the balance sheet as they are held for the development, construction, maintenance and repair of other capital assets. Inventories expensed in 2008 and 2007 were immaterial.

Capital Disclosures: Effective January 1, 2008, the Company adopted the new CICA Handbook Section 1535 - Capital Disclosures. It required the Company to disclose quantitative and qualitative information regarding objectives, policies and processes for managing capital. This new Standard did not have any impact on the Company's 2008 financial results. See Note 17.

Disclosure and Presentation of Financial Instruments: Effective January 1, 2008, the Company adopted Sections 3862 and 3863 of the CICA Handbook which set out new accounting recommendations for disclosure and presentation of financial instruments. The new recommendations require disclosure of both quantitative and qualitative information that enables users of financial statements to evaluate the nature and extent of risks from financial instruments to which the Company is exposed. These recommendations did not have any impact on the Company's financial results. The additional required disclosure is included in Note 18 to the Company's 2008 annual audited financial statements.

Future Changes

International Financial Reporting Standards ("IFRS"): In February 2008, the Accounting Standards Board ("AcSB") confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an IFRS Omnibus Exposure Draft proposing that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010. The AcSB proposes that CICA Handbook Section - Accounting Changes, paragraph 1506.30, which would require an entity to disclose information relating to a new primary source of Canadian GAAP that has been issued but is not yet effective and that the entity has not applied, not be applied with respect to this Exposure Draft.

Newfoundland Power is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable. Further, the Company anticipates a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required and any necessary system changes to gather and process the information.

Rate Regulated Operations: Given its strategic plan to adopt IFRS, the AcSB revisited the scope of its project on accounting for rate-regulated operations in recognition of the fact that IFRS do not currently provide any special guidance with respect to accounting practices that are unique to rate-regulated entities. As a result, it has removed certain guidance from the CICA Handbook. Newfoundland Power's assessment of these changes is that effective January 1, 2009 it will be required to (i) disclose separately on its balance sheets future income tax assets and liabilities that, in accordance with PUB approved accounting policies, are currently unrecognized along with corresponding regulatory liabilities and assets, and (ii) include in these amounts the future income tax effects of the subsequent settlement of the regulatory assets and liabilities through customer rates. These changes would not affect earnings or cash flows. If calculated in accordance with the revised guidance, the net unrecognized future income tax liability now disclosed in Note 2 to the Company's 2008 annual financial statements would increase by approximately $30.3 million (2007 - increase of approximately $30.7 million) to $102.9 million at December 31, 2008 (December 31, 2007 - $105.1 million).

Goodwill and Intangible Assets: Effective January 1, 2009, the Company will adopt new CICA Handbook Section 3064 - Goodwill and Intangible Assets, which effectively converges Canadian GAAP for intangible assets with IFRS. The new Standard provides more comprehensive guidance on the definition and initial recognition criteria of intangible assets, including internally generated intangible assets. Adoption of this standard on the Company's financial statements will result in the reclassification of certain assets currently included in capital assets to intangible assets. The items to be reclassified consist of certain computer software and land rights. As at December 31, 2008, $13.8 million and $2.3 million are included in capital assets related to certain computer software and land rights, respectively.

4. Regulatory Assets and Liabilities

Regulatory assets and liabilities arise as a result of the rate-setting process. Regulatory assets represent future revenues associated with certain costs incurred in the current or prior periods that will be, or are expected to be, recovered from customers in future periods through the rate-setting process. Regulatory liabilities represent future

reductions or limitations of increases in revenues associated with amounts that will be, or are expected to be, refunded to customers through the rate-setting process. The accounting methods underlying regulatory assets and liabilities, and their eventual settlement through the rate-setting process, are prescribed by the PUB and impact the Company's cashflows.

The Company's regulatory assets and liabilities, which will be, or are expected to be, reflected in customer rates in future periods, follow.

	2008		2007	
	Current	Non-current	Current	Non-current
Regulatory Assets				
Rate stabilization account (i)	$ 2,486	$ 4	$ (70)	$ 1,761
OPEBs *(Note 2)*	-	41,074	-	34,527
Weather normalization account (ii)	1,366	4,544	1,366	9,151
Amortization true-up deferral (iii)	3,862	3,862	3,862	7,724
Pension deferral (iv)	1,128	5,920	1,128	7,048
Replacement energy deferral (v)	383	383	383	764
Deferred GRA costs (vi)	201	201	417	833
	$ 9,426	$ 55,988	$ 7,086	$ 61,808
Regulatory Liabilities				
Municipal tax liability (vii)	$ 1,363	$ 1,364	$ 1,363	$ 2,726
Unbilled revenue (viii)	4,618	4,618	7,210	9,236
Purchased power unit cost variance reserve (ix)	447	448	447	1,203
Future removal and site restoration provision (x)	-	47,961	-	47,428
Demand management incentive account (xi)	-	426	-	-
	$ 6,428	$ 54,817	$ 9,020	$ 60,593

(i) Rate Stabilization Account ("RSA")

The RSA passes through to the Company's customers amounts primarily related to changes in the cost and quantity of fuel used by Hydro to produce the electricity sold to the Company. Operation of this account has no earnings impact. On July 1 of each year, customer rates are recalculated in order to amortize over the subsequent twelve months the balance in the rate stabilization account as of March 31 of the current year. In the absence of rate regulation these transactions would be accounted for in a similar manner, however, the amount and timing of the recovery or refund would not be subject to PUB approval.

The marginal cost of purchased power for the Company currently exceeds the average cost that is embedded in customer rates. To the extent actual electricity sales in any period exceed forecast electricity sales used to set customer rates, marginal purchased power expense will exceed related revenue. The PUB ordered, effective January 1, 2008, that variations in purchased power expense caused by differences between the actual unit cost of energy and that reflected in customer rates be recovered from (refunded to) customers through the rate stabilization account.

(ii) Weather Normalization Account

The weather normalization account reduces earnings volatility by adjusting purchased power expense and electricity sales revenue to eliminate variances in purchases and sales caused by the difference between normal weather conditions, based on long-term averages, and actual weather conditions. In the absence of rate regulation these fluctuations would be recognized in earnings in the period in which they occurred.

The balance in the weather normalization account, because it is based on long-term averages for weather conditions, should tend to zero over time. However, the Company indentified non-reversing balances in the account arising from changes in purchased power rates and income tax rates. Effective January 1, 2003, the PUB ordered that a non-reversing balance of approximately $5.6 million be amortized equally over 2003-2007 as an increase in purchased power expense of approximately $1.7 million and a decrease in future income tax expense of approximately $0.6 million in each year. Effective January 1, 2008, the PUB ordered that a non-reversing balance of approximately $6.8 million be amortized equally over 2008-2012 as an increase in purchased power expense of approximately $2.1 million and a decrease in future income tax expense of approximately $0.7 million in each year.

The recovery period for the outstanding balance in the weather normalization account is not determinable as it depends on future weather conditions. In the absence of rate regulation, revenue in 2008 would have been $7.6 million lower (2007 - $1.8 million lower), purchased power expense in 2008 would have been $14.6 million lower (2007 - $3.8 million lower) and future income tax expense in 2008 would have been $2.4 million higher (2007 - $0.7 million higher).

(iii) Amortization True-Up Deferral

The PUB ordered the deferred recovery of approximately $5.8 million in each of 2006 and 2007, $11.6 million in aggregate, related to a variance in accumulated amortization identified in the 2002 amortization study. These deferrals were recorded as an increase in regulatory assets and a decrease in expenses of $5.8 million in each year. Amortization of $3.9 million was recorded in 2008 in accordance with the PUB order that the resultant regulatory asset of approximately $11.6 million be amortized evenly over 2008 through 2010. In the absence of rate regulation, $11.6 million would have been expensed in the original years incurred.

(iv) Pension Deferral

The PUB ordered that approximately $11.3 million of incremental pension costs arising from the Company's 2005 early retirement program be deferred and amortized equally over a ten year period beginning April 1, 2005. In the absence of rate regulation, these costs would have been expensed in 2005.

(v) Replacement Energy Deferral

Effective January 1, 2008, the PUB ordered that a $1.1 million regulatory asset related to the deferred recovery of the cost of replacement energy purchased during the refurbishment of the Company's Rattling Brook hydroelectric generating plant be amortized equally over 2008 - 2010 as an increase in purchased power expense of approximately $0.6 million and a decrease in future income tax expense of approximately $0.2 million in each year. In the absence of rate regulation, these costs would have been expensed in 2007.

(vi) Deferred GRA Costs

In 2007, the PUB ordered that an estimated $1.3 million of external costs related to the Company's 2008 GRA be deferred and amortized evenly over 2008 - 2010. In early 2008, this estimate was reduced by $0.7 million to reflect actual costs. The actual costs of $0.6 million are being amortized evenly over 2008 - 2010. In the absence of rate regulation, the original accrued costs of $1.3 million would have been expensed in 2007, with the subsequent $0.7 million adjustment recorded as a reduction of expenses in 2008.

(vii) Municipal Tax Liability

The $4.1 million municipal tax liability results from a timing difference related to the recovery and payment of municipal taxes under the Company's PUB approved municipal tax collection policy. The PUB ordered that this $4.1 million be amortized as other revenue equally over 2008 - 2010.

(viii) Unbilled Revenue

Prior to January 1, 2006 revenue from electricity sales was recognized as bills were rendered to customers. Subsequent to this date, revenue is recognized on an accrual basis. The difference between revenue recognized on a billed basis and revenue recognized on an accrual basis as at December 31, 2005 was recorded on the balance sheet as a regulatory liability. As ordered by the PUB, the Company amortized approximately $7.2 million of this regulatory liability in 2008 (2007 - $2.7 million). The unamortized balance at December 31, 2008 will be amortized as follows: 2009 and 2010 – approximately $4.6 million in each year. In the absence of rate regulation, all the unbilled revenue would have been recognized as revenue during 2005.

(ix) Purchased Power Unit Cost Variance Reserve

The purchased power unit cost variance reserve limited variation in the cost of purchased power associated with a demand and energy wholesale rate structure, to a PUB approved range.

Effective January 1, 2008, the PUB ordered the discontinuance of the purchased power unit cost variance reserve.

The PUB ordered that the December 31, 2006 balance in the reserve of approximately $1.3 million be amortized over 2008 - 2010 as a decrease in purchased power expense of approximately $0.7 million and an increase in future income tax expense of approximately $0.3 million in each year. In 2008, the PUB ordered that the balance in the account related to 2007 be transferred to the rate stabilization account in 2008.

(x) Future Removal and Site Restoration Provision

This regulatory liability represents amounts collected in customer electricity rates over the life of certain capital assets which are attributable to removal and site restoration costs that are expected to be incurred in the future. Actual removal and site restoration costs, net of salvage proceeds, are recorded against the regulatory liability when incurred. The regulatory liability represents the amount of expected future removal and site restoration costs associated with capital assets in service as at December 31, calculated using current amortization rates as approved by the PUB. In the absence of rate regulation, removal and site restoration costs, net of salvage proceeds would be recognized as an operating expense when incurred.

(xi) Demand Management Incentive Account

Through the demand management incentive account, variations in the unit cost of purchased power related to demand are limited, at the discretion of the PUB, to 1% of demand costs reflected in customer rates. Balances in this account are recorded as a regulatory asset or regulatory liability on Newfoundland Power's balance sheets. The disposition of balances in this account, which would be determined by a further order of the PUB, will consider the merits of the Company's conservation and demand management activities.

5. Finance Charges

	2008	2007
Interest on first mortgage sinking fund bonds	$ 32,334	$ 33,718
Interest on committed revolving term credit facility	1,187	1,437
Interest on demand facility	11	38
Amortization of deferred debt issue costs	235	256
Amortization of capital stock issue costs *(Note 2)*	62	62
Interest on security deposits	38	50
Interest on related party loan	258	-
AFUDC *(Note 2)*	(618)	(622)
	$ 33,507	$ 34,939

6. Income Taxes

Income taxes vary from the amount that would be determined by applying statutory income tax rates to pre-tax earnings. A reconciliation of the combined federal and provincial statutory income tax rate to the Company's effective income tax rate follows.

	2008	2007
Statutory tax rate	33.5%	36.1%
Tax expense per financial statements	$ 19,146	$ 12,176
Accounting income per financial statements	52,041	42,628
Expected tax expense (statutory rate)	17,434	15,397
Items capitalized vs. expensed	(926)	(1,029)
CCA vs. amortization	1,088	1,402
Pension funding vs. pension expense	(162)	(2,221)
Other timing differences	265	(562)
Unbilled revenue	102	1,733
Regulatory deferrals	1,345	(2,544)
Income tax expense	$ 19,146	$ 12,176
Effective tax rate	36.8%	28.6%

The composition of the Company's income tax provision follows.

	2008	2007
Current income tax expense	$ 20,346	$ 12,432
Future income tax recovery	(1,200)	(256)
	$ 19,146	$ 12,176

Pursuant to a settlement agreement with the Canada Revenue Agency, current income taxes in 2008 include approximately $2.5 million (2007 - $2.7 million) related to the Company's January 1, 2006 adoption of the accrual method of revenue recognition for income tax purposes.

As at December 31, 2008, the Company had approximately $0.2 million (December 31, 2007 - $0.2 million) in capital losses carried forward which have not been recognized in the financial statements.

7. Capital Assets

	Cost		Accumulated Amortization		Net Book Value	
	2008	2007	2008	2007	2008	2007
Distribution	$ 690,675	$ 661,455	$ 248,543	$ 236,195	$ 442,132	$ 425,260
Transmission and substations	228,630	219,490	89,107	85,671	139,523	133,819
Generation	159,498	156,530	45,639	42,621	113,859	113,909
Transportation and communications	33,056	32,547	16,163	15,679	16,893	16,868
Land, buildings and equipment	100,706	98,745	44,657	42,682	56,049	56,063
Construction in progress	2,126	555	-	-	2,126	555
Construction materials	4,375	4,320	-	-	4,375	4,320
	$1,219,066	$1,173,642	$ 444,109	$ 422,848	$ 774,957	$ 750,794

Distribution assets are used to distribute low voltage electricity to customers and include poles, towers and fixtures, low voltage wires, transformers, overhead and underground conductors, street lighting, metering equipment and other related equipment.

Transmission and substations assets are used to transmit high voltage electricity to distribution assets and include poles; high voltage wires, switching equipment, transformers and other related equipment.

Generation assets are used to generate electricity and include hydroelectric and thermal generating stations, gas and combustion turbines, dams, reservoirs and other related equipment.

Transportation and communications assets include vehicles as well as telephone, radio and other communications equipment.

Land, buildings and equipment are used generally in the provision of electricity service but not specifically in the distribution, transmission or generation of electricity or specifically related to transportation and communication activities.

8. Deferred Charges

	2008	2007
Deferred pension costs *(Note 16)*	$ 93,148	$ 88,478
Deferred credit facility costs	50	59
Deferred capital stock issue costs *(Note 2)*	75	137
	$ 93,273	$ 88,674

9. Customer Finance Plans

Customer finance plans represent the non-current portion of loans to customers for certain new service requests and energy efficiency upgrades. The current portion of these loans is classified as accounts receivable. In the case of new service requests, and as prescribed by the PUB, interest is charged at a fixed rate of prime plus 3% for repayment periods up to 60 months and prime plus 4% for repayment periods of 61 months to 120 months. In the case of energy efficiency upgrades, interest is charged at a fixed rate of prime plus 4% for a maximum repayment period of 60 months. All loan instalments are made through the customers' monthly electricity bill payments. The balance of any loan may be repaid at any time without penalty.

10. Capital Stock

Authorized

(a) an unlimited number of Class A and Class B Common Shares without nominal or par value. The shares of each class are inter-convertible on a share-for-share basis and rank equally in all respects including dividends. The Board of Directors may provide for the payment, in whole or in part, of any dividends to Class B shareholders by way of a stock dividend;

(b) an unlimited number of First Preference Shares and Second Preference Shares without nominal or par value, except that each Series A, B, D and G First Preference Share has a par value of $10. The issued First Preference Shares are entitled to cumulative preferential dividends and are redeemable at the option of the Company at a premium not in excess of the annual dividend rate. Series D and G First Preference Shares are subject to the operation of purchase funds and the Company has the right to purchase limited amounts of these shares at or below par.

Issued

	2008		2007	
	Number of Shares	Amount	Number of Shares	Amount
Class A Common Shares	10,320,270	$ 70,321	10,320,270	$ 70,321
First Preference Shares				
5.50% Series A	179,225	1,792	179,225	1,792
5.25% Series B	337,983	3,380	337,983	3,380
7.25% Series D	212,065	2,121	212,065	2,121
7.60% Series G	205,950	2,059	205,950	2,059
	935,223	$ 9,352	935,223	$ 9,352

At December 31, 2008, Fortis held 230,194 or approximately 24.6% of the Company's issued and outstanding First Preference Shares.

11. Related Party Transactions

The Company provides services to, and receives services from, its parent Company, Fortis, and other subsidiaries of Fortis. The Company also incurs charges from Fortis for the recovery of general corporate expenses incurred by Fortis. Related party revenue primarily relates to electricity sales. These transactions are in the normal course of business and are recorded at their exchange amounts.

Related party transactions included in revenue, operating expenses and finance charges in 2008 and 2007, and in accounts receivable at December 31 of these years, follow.

	2008	2007
Revenue	$ 4,225	$ 4,078
Operating expenses	$ 1,459	$ 940
Finance charges	$ 258	$ -
Accounts receivable	$ 163	$ 112

12. Credit Facilities

Newfoundland Power has unsecured bank credit facilities of $120 million comprised of a syndicated $100 million committed revolving term credit facility which matures on August 29, 2011 and a $20 million demand facility.

During the year, the $100 million committed revolving facility was renegotiated on similar terms as the previous facility. Subject to lenders approval, two years prior to maturity the Company may request an extension for a further period of 364 days, or alternatively, one year prior to maturity the Company may request an extension for a further period of up to one year and 364 days.

Borrowings under the committed facility have been classified as long-term as they are expected to remain outstanding for a period extending beyond one year from the balance sheet date and management intends to refinance these amounts in the future with the issuance of other long-term debt. These borrowings are in the form of bankers acceptances bearing interest based on the daily Canadian Deposit Offering Rate for the date of borrowing plus a stamping fee. Standby fees on the unutilized portion of the committed facility are payable quarterly in arrears at a fixed rate of 0.1375%. Interest on the demand facility is calculated at the daily prime rate and is payable monthly in arrears.

The utilized and unutilized credit facilities as at December 31 follow.

	2008	2007
Total credit facilities	$ 120,000	$ 120,000
Borrowings under committed facility *(Note 13)*	(32,000)	(33,000)
Credit facilities available	$ 88,000	$ 87,000

13. Long-term Debt

	2008	2007
First mortgage sinking fund bonds		
10.550% $40 million Series AD, due 2014	$ 30,953	$ 31,353
10.900% $40 million Series AE, due 2016	33,200	33,600
10.125% $40 million Series AF, due 2022	33,600	34,000
9.000% $40 million Series AG, due 2020	34,400	34,800
8.900% $40 million Series AH, due 2026	35,235	35,635
6.800% $50 million Series AI, due 2028	45,000	45,500
7.520% $75 million Series AJ, due 2032	70,500	71,250
5.441% $60 million Series AK, due 2035	57,600	58,200
5.901% $70 million Series AL, due 2037	68,600	69,300
Long-term classification of credit facilities *(Note 12)*	32,000	33,000
	441,088	446,638
Less: current installments of long-term debt	4,550	4,550
	436,538	442,088
Less: deferred debt issue costs	2,934	3,111
	$ 433,604	$ 438,977

First mortgage sinking fund bonds are secured by a first fixed and specific charge on capital assets owned or to be acquired by the Company and by a floating charge on all other assets. They require an annual sinking fund payment of 1% of the original principal balance.

Future payments required to meet sinking fund instalments, maturities of long-term debt and long-term credit facilities follow.

2009	$ 4,550,000
2010	$ 4,550,000
2011	$ 36,550,000
2012	$ 4,550,000
2013	$ 4,550,000
2014 and after	$ 386,338,000

14. Other Liabilities

	2008	2007
Security deposits	$ 785	$ 612
OPEBs liability *(Note 16)*	41,074	34,527
Defined benefit pension liability - unfunded *(Note 16)*	1,480	1,485
Defined contribution pension liability *(Note 16)*	1,662	1,458
	$ 45,001	$ 38,082

Security deposits are advance cash collections from certain customers to guarantee the payment of electricity bills. The security deposit liability includes interest credited to customer deposits. The current portion of security deposits is reported in accounts payable and accrued charges.

15. Supplementary Information to Statements of Cash Flows

	2008	2007
Interest paid	$ 33,794	$ 34,099
Income taxes paid	$ 8,665	$ 11,957
Employee future benefits paid	$ 1,175	$ 1,120

16. Employee Future Benefits

The Company's defined contribution plans are its individual and group registered retirement savings plans, and an unfunded supplementary employee retirement plan ("SERP"). Benefits are based upon employee earnings. The accrued benefit liability for the SERP is included in other liabilities on the Company's balance sheets (Note 14). During 2008, the Company expensed approximately $1.0 million (2007 - $1.0 million) related to these plans.

The Company's defined benefit plans are its funded defined benefit pension plan, an unfunded pension uniformity plan ("PUP") and OPEBs. Both pension plans are closed to new entrants and provide benefits based on a percentage of the highest 36 consecutive months average base earnings and the employee's years of service.

The accrued benefit obligation for all of the Company's defined benefit plans, and the market-related value of plan assets for the Company's funded primary defined benefit pension plan, are measured for accounting purposes as at December 31 of each year.

The most recent actuarial valuation of the Company's defined benefit pension plans for funding purposes was as of December 31, 2005 and the next required valuation will be performed as of December 31, 2008. The corresponding dates for the Company's OPEBs are December 31, 2007 and December 31, 2010, respectively.

The accrued benefit asset for the Company's funded primary defined benefit pension plan is included in deferred charges on the Company's balance sheets. The accrued benefits liability for the PUP is included in other liabilities.

Details of the Company's defined benefits plans follow.

	2008			2007		
		Unfunded			Unfunded	
	Funded	PUP	OPEB	Funded	PUP	OPEB
Change in accrued benefit obligation						
Balance, beginning of year	$ 235,477	$ 2,558	$ 70,411	$ 239,176	$ 2,695	$ 69,804
Current service costs	4,844	-	1,384	4,997	-	1,412
Interest cost	12,740	135	3,901	12,368	136	3,698
Benefits paid	(12,926)	(215)	(1,175)	(12,596)	(215)	(1,120)
Actuarial (gains) losses	(49,744)	(309)	(14,885)	(8,468)	(58)	(3,383)
Balance, end of year	$ 190,391	$ 2,169	$ 59,636	$ 235,477	$ 2,558	$ 70,411

	2008			2007		
		Unfunded			Unfunded	
	Funded	PUP	OPEB	Funded	PUP	OPEB
Change in fair value of plan assets						
Balance, beginning of year	$ 259,731	$ -	$ -	$ 250,226	$ -	$ -
Return on assets	19,169	-	-	17,694	-	-
Benefits paid	(12,926)	(215)	(1,175)	(12,596)	(215)	(1,120)
Actuarial (losses) gains	(59,993)	-	-	(7,714)	-	-
Employee contributions	1,193	-	-	1,216	-	-
Employer contributions	5,425	215	1,175	10,905	215	1,120
Balance, end of year	$ 212,599	$ -	$ -	$ 259,731	$ -	$ -
Funded status						
Surplus (deficit), end of year	$ 22,209	$ (2,169)	$ (59,636)	$ 24,254	$ (2,558)	$ (70,411)
Unamortized net actuarial loss	56,768	269	6,277	48,431	606	22,171
Unamortized transitional obligation	11,584	419	12,285	12,871	466	13,713
Unamortized past service costs	2,587	1	-	2,922	1	-
Accrued benefit asset (liability), end of year	$ 93,148	$ (1,480)	$ (41,074)	$ 88,478	$ (1,485)	$ (34,527)
Effect of 1% increase in health care cost trends on:						
Accrued benefit obligation	-	-	$ 8,319	-	-	$ 12,403
Service costs and interest cost	-	-	$ 1,013	-	-	$ 988
Effect of 1% decrease in health care cost trends on:						
Accrued benefit obligation	-	-	$ (6,707)	-	-	$ (9,637)
Service costs and interest cost	-	-	$ (808)	-	-	$ (749)
Significant assumptions						
Discount rate during year	5.50%	5.50%	5.50%	5.25%	5.25%	5.25%
Discount rate as at December 31	7.50%	7.50%	7.50%	5.50%	5.50%	5.50%
Expected long-term rate of return on plan assets	7.50%	-	-	7.50%	-	-
Rate of compensation increases	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Health care cost trend increases as at December 31	-	-	4.50%	-	-	4.50%
Expected average remaining service of active employees	12 years	12 years	15 years	13 years	13 years	15 years
Net benefit expense						
Current service costs	$ 3,651	$ -	$ 1,384	$ 3,781	$ -	$ 1,412
Interest cost	12,740	135	3,901	12,368	136	3,698
Expected return on plan assets	(19,169)	-	-	(17,694)	-	-
Amortization of transitional obligation	1,287	47	1,428	1,287	47	1,428
Amortization of net actuarial loss	1,911	28	1,009	3,168	31	1,327
Amortization of past service costs	335	-	-	335	-	-
Regulatory adjustment *(Note 4)*	1,128	-	(6,547)	1,128	-	(6,745)
Net benefit expense	$ 1,883	$ 210	$ 1,175	$ 4,373	$ 214	$ 1,120
Asset allocation						
Fixed income	48%	-	-	38%	-	-
Equities	32%	-	-	44%	-	-
Foreign equities	20%	-	-	18%	-	-

17. Capital Management

Newfoundland Power's primary objectives when managing capital are (i) to ensure continued access to capital at reasonable cost, and (ii) to provide an adequate return to its common shareholder commensurate with the level of risk associated with the shareholder's investment in the Company.

The Company requires ongoing access to capital because its business is capital intensive. Capital investment is required to ensure continued and enhanced performance, reliability and safety of its electricity system and to meet customer growth.

The Company operates under cost of service regulation. The cost of capital is ultimately borne by its customers. Access to capital at reasonable cost is a core aspect of the Company's business strategy, which is to operate a sound electricity system and to focus on the safe and reliable delivery of electricity service to its customers in the most cost-efficient manner possible.

The capital managed by the Company is composed of debt (first mortgage sinking fund bonds, bank credit facilities and cash/bank indebtedness), common equity (common shares and retained earnings) and preferred equity.

The Company has historically generated sufficient cash flows from operating activities to service interest and sinking fund payments on debt, to pay dividends and to finance a major portion of its capital expenditure programs. Additional financing to fully fund capital expenditure programs is obtained through the Company's bank credit facilities and these borrowings are periodically refinanced along with any maturing bonds through the issuance of additional bonds. These basic cash flow and capital management dynamics are consistent with previous periods and are currently not expected to change materially over the foreseeable future.

Newfoundland Power endeavours to maintain a capital structure comprised of approximately 55% debt and 45% equity. This capital structure is reflected in customer rates. It is also consistent with the Company's current investment grade credit ratings, thereby ensuring continued access to capital at reasonable cost. Newfoundland Power maintains this capital structure primarily by managing its common share dividends.

A summary of the Company's capital structure follows.

	December 31, 2008		December 31, 2007	
	$	%	$	%
Debt	437,535	53.3	442,460	54.7
Common equity	373,738	45.5	356,671	44.1
Preferred equity	9,352	1.2	9,352	1.2
	820,625	100.0	808,483	100.0

The issuance of debt with a maturity that exceeds one year requires the prior approval of the Company's regulator. The issuance of first mortgage sinking fund bonds is subject to an earnings covenant whereby the ratio of (i) annual earnings applicable to common shares, before bond interest and tax, to (ii) annual bond interest incurred plus annual bond interest to be incurred on the contemplated bond issue, must be two times or higher. Under its committed credit facility, the Company must also ensure that its Debt to Capitalization ratio does not exceed 0.65:1.00 at any time. During the year end at December 31, 2008 the Company was in compliance with all of its debt covenants.

18. Financial Instruments

The Company's financial instruments and their designations are (i) held for trading: cash; (ii) loans and receivables: accounts receivable and customer finance plans; and, (iii) other financial liabilities: short-term borrowings, accounts payable and accrued charges, security deposits, due to related party and long-term debt, including current portion.

Carrying Values: Cash is carried at fair value. The carrying value of long-term debt, including current portion, is measured at amortized cost using the effective interest method and is net of unamortized debt issue costs. The carrying value of the remaining financial instruments approximates amortized cost.

Fair Values: The fair value of long-term debt, including current portion, is calculated by discounting the future cash flows of each debt instrument at the estimated yield-to-maturity for the same or similar debt instruments at the balance

sheet date. Since the Company does not intend to settle its debt instruments before maturity, the fair value estimate does not represent an actual liability and, therefore, does not include exchange or settlement costs.

The estimated fair value of the Company's first mortgage sinking fund bonds was $505.1 million at December 31, 2008 and $512.5 million at December 31, 2007.

The fair value of the Company's remaining financial instruments approximates their carrying value, reflecting either their nature, short-term maturity or normal trade credit terms.

Credit Risk: There is risk that Newfoundland Power may not be able to collect all of its accounts receivable and amounts owing under its customer finance plans. These financial instruments, which arise in the normal course of business, do not represent a significant concentration of credit risk as amounts are owed by a large number of customers on normal credit terms. The requirement for security deposits for certain customers, which are advance cash collections from customers to guarantee payment of electricity billings, further reduces the exposure to credit risk. The maximum exposure to credit risk is the net carrying value of these financial instruments.

Newfoundland Power manages credit risk primarily by executing its credit and collection policy, including the requirement for security deposits, through the resources of its Customer Relations Department.

The aging of accounts receivable and amounts owing under customer finance plans at December 31, 2008, follows.

	December 31, 2008
Not past due	$ 34,275
Past due 1-30 days	27,268
Past due 31-60 days	3,633
Past due 61-90 days	957
Past due over 90 days	423
	66,556
Less: allowance for doubtful accounts	(1,272)
	$ 65,284

Liquidity Risk: The Company's financial position could be adversely affected if it failed to arrange sufficient and cost-effective financing to fund, among other things, capital expenditures, repayment of maturing debt, and pension funding obligations.

The ability to arrange such financing is subject to numerous factors, including the results of operations and financial position of the Company, conditions in the capital and bank credit markets, ratings assigned by ratings agencies and general economic conditions. These factors are mitigated by the legal requirement as outlined in the Electrical Power Control Act which requires rates be set to enable the Company to achieve and maintain a sound credit rating in the financial markets of the world.

Newfoundland Power manages short-term liquidity risk primarily by maintaining bank credit facilities. The Company has unsecured facilities of $120 million, comprised of a syndicated $100 million committed revolving term credit facility and a $20 million demand facility.

Newfoundland Power manages long-term liquidity risk primarily by maintaining its investment grade credit ratings. See Note 17.

As at December 31, 2008, the fair value of the Company's primary defined benefit pension plan assets was $212.6 million compared to fair value of plan assets of $259.7 million as at December 31, 2007. The decrease in the fair value of pension plan assets during 2008 was mainly the result of unfavourable market conditions in 2008. The decline in pension plan assets is currently expected to increase the Company's future pension funding obligations. The amount of the increase will not be determinable until completion of next actuarial valuation. The next scheduled actuarial valuation is as at December 31, 2008 and this valuation is expected to occur in the first quarter of 2009. The Company does not expect any difficulty in its ability to meet future pension funding requirements as it expects the amounts will be financed from a combination of cash generated from operations and amounts available for borrowing under existing credit facilities.

The contractual maturities of the Company's financial liabilities at December 31, 2008 follow.

	Total	2009	2010-2011	2012-2013	2014 Oward
Accounts payable and accrued charges	65.5	65.5	-	-	-
Security deposits	1.3	0.5	0.8	-	-
Credit facilities (unsecured)	32.0	-	32.0	-	-
First mortgage sinking fund bonds[7]	409.1	4.6	9.1	9.1	386.3
	507.9	70.6	41.9	9.1	386.3

[7] *First mortgage sinking fund bonds are secured by a first fixed and specific charge on capital assets owned or to be acquired by the Company and carry customary covenants.*

Market Risk: Exposure to foreign exchange rate fluctuations is immaterial.

Market driven changes in interest rates and changes in the Company's credit ratings can cause fluctuations in interest costs associated with the Company's bank credit facilities. Each level of change in the Company's credit ratings causes a 25 basis points change in the interest rate on the Company's committed revolving term credit facility. For the year ended December 31, 2008, each 25 basis points change in interest rates on the Company's credit facilities would have caused a $73,000 change in credit facility interest costs and a $49,000 change in earnings (2007 - $84,000 and $56,000, respectively).

The Company periodically refinances its credit facilities in the normal course with fixed-rate first mortgage sinking fund bonds, which comprised approximately 93% of its total debt at December 31, 2008, thereby mitigating exposure to interest rate changes.

Changes in interest rates and/or changes in the Company's credit ratings can affect the interest rate on first mortgage sinking fund bonds at the time of issue. No bonds were issued for the twelve month period ended December 31, 2008.

The Company's defined benefit pension plan is impacted by economic conditions. There is no assurance that the pension plan assets will earn the expected long-term rate of return in the future. Market driven changes impacting the performance of the pension plan assets may result in material variations in actual return on pension plan assets from the expected long-term return on the assets. This may cause material changes in future pension liabilities and pension expense. Market driven changes impacting the discount rate may also result in material variations in future pension liabilities and pension expense.

19. Commitments

The Company is obligated to provide service to customers, resulting in ongoing capital expenditure commitments. Capital expenditures are subject to PUB approval. The Company's 2009 capital plan provides for capital expenditures of approximately $61.6 million.

20. Comparative Figures

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.

Ten Year Summary

	2008	2007[1]	2006[1]	2005[1]	2004	2003	2002	2001	2000	1999
Income Statement Items *($thousands)*										
Revenue	516,889	491,709	422,405	419,963	404,447	384,150	369,627	359,305	348,413	342,001
Purchased power	336,658	326,778	257,157	255,954	244,012	227,964	210,764	202,479	199,266	192,755
Operating, pension and ERP costs	50,172	53,202	53,996	53,812	51,755	51,799	50,767	52,908	52,486	52,709
Amortization of capital assets[2]	44,511	34,162	33,129	32,143	30,987	29,372	35,442	34,003	29,625	29,638
Finance charges	33,507	34,939	33,819	31,369	30,393	30,009	26,853	26,700	26,641	26,488
Income taxes	19,146	12,176	13,639	15,368	15,586	14,945	16,381	13,730	13,296	16,927
Earnings applicable to common shares	32,341	29,866	30,078	30,729	31,122	29,460	28,807	28,862	26,473	22,858
Balance Sheet Items *($thousands)*										
Property, plant and equipment	1,219,066	1,173,642	1,119,820	1,085,106	1,050,913	1,009,448	949,478	914,735	865,406	844,598
Accumulated amortization	444,109	422,848	402,683	387,815	420,836	407,319	381,003	369,659	353,078	344,506
Net capital assets	774,957	750,794	717,137	697,291	630,077	602,129	568,475	545,076	512,328	500,092
Total assets	1,001,855	985,930	929,158	889,013	825,310	744,375	704,598	667,289	628,252	608,336
Long-term debt[3]	438,154	443,527	414,489	395,298	328,558	332,208	335,858	263,758	280,158	283,208
Preference shares	9,352	9,352	9,353	9,410	9,417	9,429	9,709	9,709	9,890	9,890
Common equity	373,738	356,671	335,887	323,972	316,360	299,480	279,515	260,203	250,331	242,848
Total capital	821,244	809,550	759,729	728,680	654,335	641,117	625,082	533,670	540,379	535,946
Operating Statistics *(GWh)*										
Sources of Electricity (normalized)										
Purchased	5,088	5,013	4,876	4,873	4,841	4,725	4,604	4,495	4,432	4,292
Generated	426	381	417	426	424	425	424	416	423	450
Total	5,514	5,394	5,293	5,299	5,265	5,150	5,028	4,911	4,855	4,742
Sales (normalized)										
Residential	3,130	3,044	2,981	2,987	2,972	2,909	2,843	2,775	2,707	2,672
Commercial and street lighting	2,078	2,049	2,014	2,017	2,007	1,973	1,922	1,892	1,848	1,828
Total	5,208	5,093	4,995	5,004	4,979	4,882	4,765	4,667	4,555	4,500
Electricity sales per employee	9.5	9.2	9.0	9.0	8.3	8.1	7.8	7.5	6.9	6.4
Customers *(year-end)*										
Residential	204,204	201,045	198,568	196,412	193,912	191,314	188,925	186,828	185,287	183,921
Commercial and street lighting	31,574	31,217	30,932	30,889	30,552	30,339	30,147	30,051	29,923	29,720
Total	235,778	232,262	229,500	227,301	224,464	221,653	219,072	216,879	215,210	213,641
Operating cost per customer ($)[4]	208	213	212	218	220	225	223	231	230	235
Number of regular full-time employees	551	555	552	556	599	606	610	626	656	703

[1] *Certain comparative figures have been reclassified to conform with current year presentation.*

[2] *Amount for 2007 and 2006 is net of a regulatory deferral of $5.8 million, as approved by the PUB.*

[3] *Net of deferred financing charges in 2008 and 2007.*

[4] *Operating cost per customer is calculated excluding pension and early retirement program costs.*

Board of Directors

Peggy Bartlett
President
Bartlett Enterprises Inc.
Grand Falls-Windsor,
Newfoundland & Labrador

Frank Davis
Corporate Director
St. John's,
Newfoundland & Labrador

Ed Drover
Financial Advisor & President
Ringwood Wealth Management Inc.
St. John's,
Newfoundland & Labrador

Chris Griffiths
Operations Manager
Gibson Guitar Canada Ltd.
St. John's,
Newfoundland & Labrador

Georgina Hedges
Owner/Operator
The Doctor's Inn
Eastport,
Newfoundland & Labrador

Earl Ludlow
President & Chief Executive Officer
Newfoundland Power Inc.
St. John's,
Newfoundland & Labrador

David Norris
Corporate Director
St. John's,
Newfoundland & Labrador

Fred O'Brien
President & Chief Executive Officer
Maritime Electric Company, Limited
Charlottetown,
Prince Edward Island

Barry Perry
Vice President, Finance &
Chief Financial Officer
Fortis Inc.
St. John's,
Newfoundland & Labrador

Bruce Simmons
President & Chief Executive Officer
Hammond Farm Ltd.
Corner Brook,
Newfoundland & Labrador

John Walker
President & Chief Executive Officer
FortisBC Inc.
Kelowna,
British Columbia

Jo Mark Zurel
President
Stonebridge Capital Inc.
St. John's,
Newfoundland & Labrador

Executive Team

Jocelyn Perry, Vice President, Finance and Chief Financial Officer

Gary Smith, Vice President, Engineering and Operations

Earl Ludlow, President and Chief Executive Officer

Lisa Hutchens, Vice President, Customer Relations and Corporate Services

Peter Alteen, Vice President, Regulatory Affairs and General Counsel

Connected to our Communities

We are proud that community groups throughout the province can count on us for support. We were pleased to provide financial, in-kind and hands-on assistance to the following organizations and many more in 2008:

Health

The Dr. H. Bliss Murphy Cancer Care Foundation, PRIORITY: The Campaign for Cancer Care, The Burin Peninsula Health Care Foundation, The Western Memorial Health Care Foundation, The Children's Wish Foundation, The Newfoundland & Labrador Down Syndrome Society, Juvenile Diabetes Research Foundation, The Arthritis Society (Newfoundland and Labrador Division), Alzheimer Society of Newfoundland & Labrador, Trinity Conception Placentia Health Care Foundation, Janeway Children's Hospital Foundation, Newfoundland & Labrador Region of the Canadian Red Cross, Community Food Sharing Association, Coats for Kids, Learning Disabilities Association of Newfoundland & Labrador, Heart and Stroke Foundation of Newfoundland & Labrador, Canadian Blood Services, Canadian Mental Health Association, The HUB

Safety

Newfoundland and Labrador Association of Fire Services, Firefighter Electricity Safety Training, Learn Not to Burn Program, Child Find Newfoundland & Labrador, School Electricity Safety Program, Safety Services Newfoundland Labrador, Newfoundland & Labrador Crime Stoppers, Newfoundland & Labrador Snowmobile Federation, Triple Bay Eagles Ground Search and Rescue

Environment

Atlantic Salmon Federation, Tree Canada, Newfoundland & Labrador Home Builders' Association, Thomas Howe Demonstration Forest, Trans Canada Trail Foundation, Marystown Community Pride, Rennies River Development Foundation

Education & Youth

Junior Achievement of Newfoundland & Labrador, Memorial University of Newfoundland, College of the North Atlantic, Newfoundland & Labrador Science Centre, Newfoundland & Labrador High School Athletic Federation, Scouts Canada, Church Lads' Brigade, Newfoundland School for the Deaf, Special Olympics, Newfoundland and Labrador Summer Games

Arts & Culture

Newfoundland Symphony Orchestra, Kiwanis Music Festival Association, Resource Centre for the Arts

Investor Information

Head Office
55 Kenmount Road, P.O. Box 8910
St. John's, NL A1B 3P6
Tel: (709) 737-2802
Fax: (709) 737-5300

Share Transfer Agent and Registrar
Computershare Trust Company of Canada
1500 University Street, Suite 700
Montreal, QC H3A 3S8
Tel: (514) 982-7888
Fax: (514) 982-7635
computershare.com

Annual General Meeting
Wednesday, May 6, 2009 at 8:00 a.m.
Main Boardroom, 3rd Floor
Newfoundland Power Inc.
55 Kenmount Road
St. John's, NL A1B 3P6

Investor Information
Peter Alteen, Corporate Secretary
55 Kenmount Road, P.O. Box 8910
St. John's, NL A1B 3P6
Tel: (709) 737-5859
palteen@newfoundlandpower.com

Website
newfoundlandpower.com

Email
contactus@newfoundlandpower.com

Fortis Websites
Fortis Inc.
fortisinc.com
FortisAlberta Inc.
fortisalberta.com
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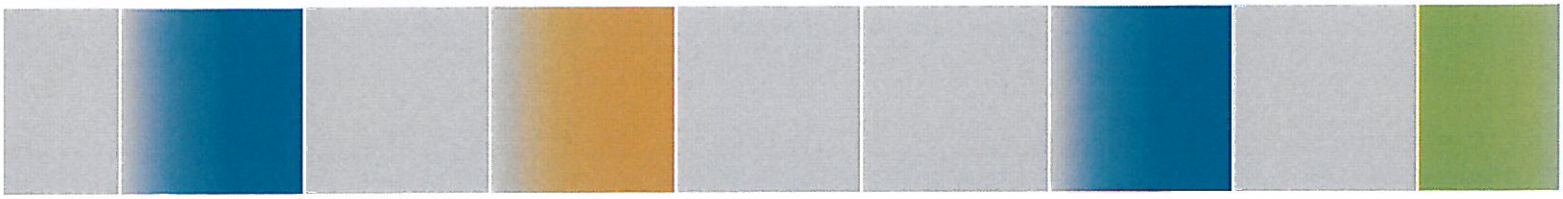

Photography, Design and Production

Corporate Communications
Newfoundland Power Inc.

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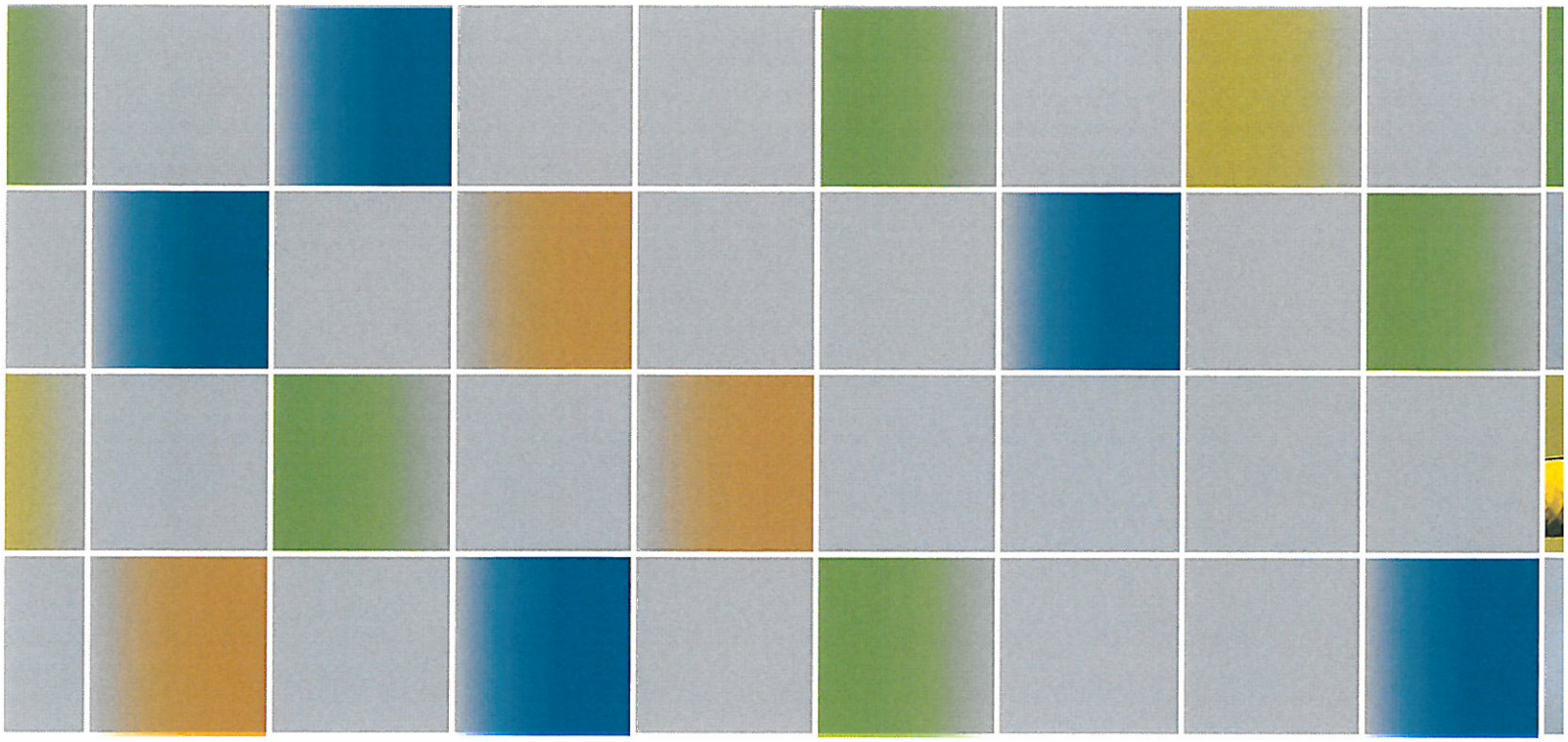
Dicks and Company Limited, St. John's, NL



Newfoundland Power Inc.

P.O. Box 8910
St. John's, NL
A1B 3P6

newfoundlandpower.com

IN THE MATTER OF
the 2008 Annual Returns
of Newfoundland Power
Inc. filed pursuant to
Section 59(2) of the
Public Utilities Act.

AFFIDAVIT

I, Jocelyn Perry, of the Town of Conception Bay South in the Province of Newfoundland and Labrador, Chartered Accountant, make oath and say as follows:

1. That I am Vice-President, Finance and Chief Financial Officer of Newfoundland Power Inc.

2. That to the best of my knowledge, information and belief, the information contained in the 2008 Annual Report and accompanying returns of Newfoundland Power Inc., filed with the Board of Commissioners of Public Utilities pursuant to section 59(2) of the *Public Utilities Act* is true and accurate.

SWORN to before me at St. John's
in the Province of Newfoundland and Labrador
this 1st day of April, 2009:

Barrister – Newfoundland & Labrador

Jocelyn Perry

Newfoundland Power Inc.
Names and Addresses of Officers and Directors
as of December 31, 2008

Name	Address	Position Held
Peter Alteen	38 Mansfield Crescent St. John's, NL A1E 5E3	Vice President, Regulatory Affairs and General Counsel; Corporate Secretary
Peggy Bartlett	173 Grenfell Heights Grand Falls-Windsor, NL A2A 2J7	Director
Frank Davis	2 Crabapple Place St. John's, NL A1A 5L7	Director
E.M. (Ed) Drover	44 Long Pond Road St. John’s, NL A1B 1N7	Director
Chris Griffiths	27 Knapps Road St. Philip's, NL A1M 2A6	Director
Georgina Hedges	5 Burden’s Road Eastport, NL A0G 1Z0	Director
Lisa Hutchens	88 Marine Drive Logy Bay-Middle Cove-Outer Cove, NL A1K 3C7	Vice President, Customer Relations and Corporate Services
Earl Ludlow	33 Ortega Drive Paradise, NL A1L 2L1	President and Chief Executive Officer; Director
David Norris	23 Mountbatten Drive St. John's, NL A1A 3Y1	Chair, Board of Directors

Newfoundland Power Inc.
Names and Addresses of Officers and Directors
as of December 31, 2008

Name	Address	Position Held
Fred O'Brien	389 Church Street Alberton, PEI C0B 1B0	Director
Barry Perry	14 Collingwood Crescent Mount Pearl, NL A1N 5C6	Director
Jocelyn Perry	6 Maple Street Conception Bay South, NL A1W 5M8	Vice President, Finance and Chief Financial Officer
Bruce Simmons	1 Hammond Drive Little Rapids, NL A2H 2W1	Director
Gary Smith	89 Cheyne Drive St. John's, NL A1A 5W5	Vice President, Engineering and Operations
John Walker	617 Almandine Court Kelowna, BC V1W 4Z5	Director
Jo Mark Zurel	16 Regent Street St. John's, NL A1A 5A4	Director

Newfoundland Power Inc.
Computation of Average Rate Base
For The Year Ended December 31, 2008
($000's)

		2008	2007[1]
1	**Net Plant Investment**		
2	Plant Investment - Return 4	1,286,039	1,239,186
3	Accumulated Amortization - Return 6	(539,654)	(516,478)
4	Contributions in Aid of Construction - Return 7	(25,884)	(24,217)
5		720,501	698,491
6			
7	**Additions to Rate Base**		
8	Deferred Charges - Return 8	100,723	96,850
9	Deferred Energy Replacement Costs - Return 9	766	1,147
10	Amortization True-up Deferral - Return 9	7,724	11,586
11	Customer Finance Programs - Return 10	1,776	1,811
12	Weather Normalization Reserve - Return 17	5,910	10,516
13		116,899	121,910
14			
15	**Deductions from Rate Base**		
16	Municipal Tax Liability - Return 9	2,727	4,089
17	Unrecognized 2005 Unbilled Revenue - Return 9	9,236	16,446
18	Customer Security Deposits - Return 10	785	612
19	Accrued Pension Obligation - Return 10	3,142	2,943
20	Future Income Taxes - Return 23	1,184	-
21	Demand Management Incentive Account - Return 18	426	-
22	Purchased Power Unit Cost Variance Reserve - Return 19	895	1,650
23		18,395	25,740
24			
25	**Year End Rate Base**	819,005	794,661
26			
27	**Average Rate Base Before Allowances**	806,833	777,494
28			
29	**Rate Base Allowances**		
30	Materials and Supplies Allowance - Return 11	4,327	4,393
31	Cash Working Capital Allowance - Return 12	9,716	6,669
32			
33	**Average Rate Base at Year End**	820,876	788,556
34			
35			

36 [1] To calculate the 2008 average rate base, the computation of the 2007 rate base has been restated to reflect the
37 methodology approved in Order No. P.U. 32 (2007).

Newfoundland Power Inc.
Plant Investment
For The Year Ended December 31, 2008
($000's)

		Opening Balance	Adjustments[1]	Additions	Retirements	Year End Balance
1	Power Generation					
2	Hydro	135,940	(426)	3,791	712	138,593
3	Diesel	3,005	-	-	-	3,005
4	Gas Turbine	17,585	-	315	1	17,899
5		156,530	(426)	4,106	713	159,497
6						
7	Substations	127,551	338	6,616	1,036	133,469
8	Transmission	93,836	(9)	5,672	1,233	98,266
9	Distribution	706,868	94	36,676	5,707	737,931
10	General Property	49,229	3	1,757	353	50,636
11	Transportation	22,031	-	2,494	2,057	22,468
12	Communications	10,516	-	278	206	10,588
13	Computer Software	30,628	-	2,251	1,891	30,988
14	Computer Hardware	9,583	-	1,653	1,549	9,687
15	Government Contributions	23,109	-	-	-	23,109
16		1,073,351	426	57,397	14,032	1,117,142
17						
18	Total Depreciable Plant	1,229,881	-	61,503	14,745	1,276,639
19						
20	Non Depreciable Land	9,305	-	95	-	9,400
21						
22	Plant Investment Included In Rate Base	1,239,186	-	61,598	14,745	1,286,039
23						
24	Construction Work In Progress					2,126
25						
26	Total Plant Investment[2]					1,288,165
27						
28						
29						
30						

31 [1] Adjustments are due to asset reclasssification and redistribution of original cost based on final project details.

32 [2] A reconciliation of the Total Plant Investment used in the calculation of average rate base for 2008 to the plant investment shown in
33 in Return 1 is as follows:

34

35	2008 Capital Assets shown in Return 1 (Note 7 to Financial Statements)	1,219,066
36	Add: Contributions in Aid of Construction - Return 7	73,468
37	Deduct: Inventories Included in Plant Investment for Financial Reporting purposes	(4,369)
38	2008 Total Plant Investment	1,288,165

Newfoundland Power Inc.
Capital Expenditure
For The Year Ended December 31, 2008
($000's)

	Approved By Board[1]	Actual	Variance[2]
Generation			
Hydro	3,385	3,619	234
Thermal	100	301	201
	3,485	3,920	435
Substations	7,177	7,095	(82)
Transmission	4,978	5,316	338
Distribution	28,566	37,053	8,487
General Property	977	1,073	96
Transportation	2,214	2,384	170
Telecommunications	224	266	42
Information Systems	3,607	3,734	127
Unforeseen	1,150	400	(750)
General Expenses Capital	2,800	2,765	(35)
	55,178	64,006	8,828
Carryover From Prior Years		764	

'1 Order Nos. P.U 27 (2007), P.U. 3 (2008), P.U. 18 (2008), P.U. 19 (2008) and P.U. 24 (2008).

[2] Variance explanations are provided in Newfoundland Power Inc.'s 2008 Capital Expenditure Report filed with the Board on February 27, 2009.

Newfoundland Power Inc.
Accumulated Amortization
For The Year Ended December 31, 2008
($000's)

1	Opening Balance - January 1, 2008	516,478
2		
3	Add:	
4	Amortization of Fixed Assets[1]	40,649
5	Amortization of Contributions - Government - Return 7	94
6	Amortization of Contributions - Customers - Return 7	1,290
7	Salvage	393
8		42,426
9		
10		
11	Deduct:	
12	Cost of Removal (Net of Income Tax)	4,505
13	Retirements	14,745
14		19,250
15		
16	Closing Balance - December 31, 2008[2]	539,654
17		
18		
19		
20		

21 [1] The amortization rates for 2008 are from the 2006 Depreciation Study based on plant
22 in service at December 31, 2005 and approved in Order No. P.U. 32 (2007).

24	Hydro	2.17%
25	Diesel	4.28%
26	Gas Turbine	4.81%
27	Substations	2.63%
28	Transmission	3.28%
29	Distribution	3.14%
30	General Property	2.94%
31	Transportation	10.28%
32	Telecommunications	6.18%
33	Computer Software	10.00%
34	Computer Hardware	20.00%

35
36 [2] The accumulated amortization shown in Return 1 (Note 7 to the Financial Statements)
37 is before adjustment for contributions in aid of construction and site restoration costs.
38

39	Accumulated Amortization shown in Return 1 (Note 7)	444,109
40	Add: Amortization of Contributions - Return 7	47,584
41	Add: Site Restoration Costs - Return 1 (Note 4)	47,961
42	2008 Accumulated Amortization for Average Rate Base	539,654

Newfoundland Power Inc.
Contributions in Aid of Construction
For The Year Ended December 31, 2008
($000's)

		Customers	Government	Total
1	Gross Contributions to January 1, 2008	47,309	23,108	70,417
2				
3	Add: Contributions Received in 2008	3,051	-	3,051
4				
5	Gross Contributions to December 31, 2008	50,360	23,108	73,468
6				
7				
8	Amortizations to January 1, 2008	23,811	22,389	46,200
9				
10	Add: Amortization in 2008	1,290	94	1,384
11				
12	Amortizations to December 31, 2008	25,101	22,483	47,584
13				
14				
15	Unamortized Contributions to December 31, 2008	25,259	625	25,884

Newfoundland Power Inc.
Deferred Charges
For The Year Ended December 31, 2008
($000's)

		Balance January 1 2008	Additions During 2008	Reductions During 2008	Balance December 31 2008
1	Deferred Pension Costs[1]	96,654	5,425	1,883	100,196
2					
3	Capital Stock Issue Expenses	137	-	62	75
4					
5	Deferred Credit Facility Issue Costs[2]	59	50	59	50
6					
7	Deferred Hearing Costs[3]	603	-	201	402
8					
9	Deferred Charges Included in Rate Base	97,453 [4]	5,475	2,205	100,723
10					
11					
12					
13					

14 [1] The December 31, 2008 balance includes $7.0 million in pension costs associated with the 2005 Early Retirement Program. These
15 pension costs were originally $11.3 million and are being amortized over ten years, beginning April 1, 2005.
16
17 [2] Newfoundland Power incurred $50,000 in costs in 2008 associated with the amendment of its Comitted Credit Facility.
18 The amendment was approved in Order No. P.U. 22 (2008).
19
20 [3] The Board approved a 3-year amortization of hearing costs associated with its 2008 General Rate Application in Order No. P.U. 32 (2007).
21
22 [4] Deferred charges included in rate base for 2007 is $96,850,000 as shown in Return 3. This differs from the January 1, 2008 balance
23 of $97,453,000 shown above because the 2007 deferred charges did not include $603,000 of deferred hearing costs.

Newfoundland Power Inc.
Regulatory Deferrals
For The Year Ended December 31, 2008
($000's)

		Balance January 1 2008	2008 Amortization		Balance December 31 2008
1	**Cost Recovery Deferrals**[1]				
2	Deferred Energy Replacement Costs	1,147	381		766
3	Amortization True-up Deferral	11,586	3,862		7,724
4					
5	**Revenue Deferrals**[1]				
6	Municipal Tax Liability	4,089	1,362		2,727
7	Unrecognized 2005 Unbilled Revenue	16,446	7,210	[2]	9,236
8					
9					
10					
11					

12 [1] In Order No. P.U. 32 (2007), the Board approved a 3-year amortization of these cost recovery and revenue deferrals.
13
14 [2] In Order No. P.U. 32 (2007), the Board approved (i) the recognition of $2,592,000 of the 2005 Unbilled
15 Revenue to offset the 2008 tax settlement payment; and (ii) the amortization over a 3-year
16 period of the remaining balance of the 2005 Unbilled Revenue of $13,854,000 or $4,618,000 per year.

Newfoundland Power Inc.
Other Rate Base Assets and Liabilities
For The Year Ended December 31, 2008
($000's)

		Balance January 1 2008	Change During 2008	Balance December 31 2008
1	**Assets**			
2	Customer Finance Programs[1]	1,811	(35)	1,776
3				
4	**Liabilities**			
5	Accrued Pension Obligation[2]	2,943	199	3,142
6				
7	Customer Security Deposits[3]	612	173	785
8				
9				
10				

11 [1] Comprised of loans provided to customers related to customer conservation programs and contributions in aid of construction.

12

13 [2] Executive and Senior Management supplemental pension benefits comprised of a defined benefit plan (PUP) and a defined contribution
14 plan (SERP). The PUP was closed to new entrants in 1999.

15

16 [3] Security deposits received from customers for electrical service in accordance with the Board-approved Schedule of Rates, Rules and Regulations.

Newfoundland Power Inc.
Materials and Supplies Allowance
For The Year Ended December 31, 2008
($000's)

		2008[1]	2007
1	Opening - January 1, 2008	5,248	-
2	January	5,356	4,906
3	February	5,543	5,210
4	March	5,663	5,791
5	April	5,365	5,702
6	May	5,448	5,661
7	June	5,562	5,322
8	July	5,271	5,291
9	August	5,369	5,352
10	September	5,191	5,300
11	October	5,249	5,310
12	November	5,145	5,428
13	December	5,391	5,248
14	Total	69,801	64,521
15			
16	Average	5,369	5,377
17			
18	Less: Expansion (19.4%)	1,042	984 [2]
19			
20	Materials and Supplies Allowance	4,327	4,393
21			
22			

23 [1] The 2008 materials and supplies allowance calculation reflects a 13-month average
24 as approved by the Board in Order No. P.U. 32 (2007).
25
26 [2] The expansion factor used in 2007 was 18.3%.

Newfoundland Power Inc.
Cash Working Capital Allowance
For The Year Ended December 31, 2008
($000's)

		2008[1]	2007
1	Gross Operating Costs	382,799 [2]	379,980
2	Income Taxes - Return 22	20,131	12,432
3	Muncipal Taxes Paid	12,394	-
4	Non-regulated Expenses (net of income taxes)	(995)	(111)
5			
6	Total operating expenses	414,329	392,301
7			
8	Cash Working Capital Factor	2.1%	1.7%
9		8,701	6,669
10			
11	HST Adjustment	1,015	-
12			
13	Cash Working Capital Allowance	9,716	6,669
14			
15			
16			

17 [1] The 2008 cash working capital allowance is calculated based on the method used to calculate
18 the 2008 Test Year average rate base approved by the Board in Order No. P.U. 32 (2007).
19
20 [2] In accordance with the methodology approved in Order No. P.U. 32 (2007), gross operating
21 costs for 2008 used in the calculation of the 2008 cash working capital allowance are net of
non-cash related amortizations.

Newfoundland Power Inc.
Return on Average Rate Base
For The Year Ended December 31, 2008
($000's)

		2008[1]	2007
1	Net Earnings from Return 1	32,895	30,452
2	Add: Non-regulated (net of income taxes)	995	111
3		33,890	30,563
4			
5	Finance Costs		
6	Interest on Long-term Debt	32,334	33,718
7	Other Interest	1,456	1,525
8	Amortization of Capital Stock Issue Expenses	-	62
9	Amortization of Debt Issue Expenses	235	256
10	Interest Earned[2]	-	(1,477)
11	AFUDC	(618)	(622)
12		33,407	33,462
13			
14	Regulated Earnings	67,297	64,025
15			
16	Average Rate Base from Return 3	820,876	793,703
17			
18	Rate of Return on Average Rate Base	8.20%	8.07%
19			
20			
21	Average Rate Base from Return 3	820,876	793,703
22			
23	Upper Limit of the Allowed Range of Return on Average Rate Base[3]	8.55%	8.65%
24			
25	Upper Limit of Allowed Regulated Earnings	70,185	68,655
26			
27	Regulated Earnings	67,297	64,025
28			
29	Excess Revenue net of Income Taxes	-	-
30			
31	Income Taxes	-	-
32			
33	Excess Revenue	-	-
34			
35			

36 [1] The 2008 return on average rate base is calculated in accordance with the methodology approved
37 in Order No. P.U 32 (2007).
38
39 [2] Beginning in 2008, interest earned is classified as a component of other revenue. Prior to 2008,
interest earned reduced financing costs.
40
41 [3] Order No. P.U. 32 (2007).

Newfoundland Power Inc.
Details of Normalized Sales and Revenue
For The Year Ended December 31, 2008
($000's)

			2008			2007		
			Gigawatt Hours	Year End Customer Accounts	Revenue	Gigawatt Hours	Year End Customer Accounts	Revenue
1	**Revenue From Rates**							
1	Domestic	1.1	3,130.3	204,204	302,916	3,044.4	201,045	284,113
2								
3	General Service:							
4	0 - 10 kW	2.1	88.8	11,920	11,742	90.9	11,826	12,043
5	10 - 100 kW	2.2	641.8	8,626	63,129	629.2	8,509	62,237
6	110 - 1000 kVA	2.3	878.5	1,061	72,997	864.5	1,035	70,946
7	1000 kVA and Over	2.4	432.3	65	31,208	427.6	66	29,880
8	Total General Service		2,041.4	21,672	179,076	2,012.2	21,436	175,106
9								
10	Street & Area Lighting	4.1	36.5	9,902	12,722	36.2	9,781	12,214
11	Forfeited Discounts		-	-	2,646	-	-	2,621
12	Revenue From Rates		5,208.2	235,778	497,360	5,092.8	232,262	474,054
13								
14	**Adjustments and Transfers**							
15	Transfer From (To) RSA [1]				(948)			3,044
16	2005 Unbilled Revenue Accrual [2]				7,210			2,714
17	Total Adjustments and Transfers				6,262			5,758
18								
19	**Other Revenue**							
20	Joint Use Revenue				8,861			8,568
21	Wheeling Revenue				615			490
22	Amortization of Municipal Tax Liability[3]				1,362			-
23	Interest on Overdue Customer Accounts[4]				1,155			1,477
24	Other Non-Electrical Revenue				1,274			1,362
25	Total Other Revenue				13,267			11,897
26								
27	**Total Revenue - Return 1**				**516,889**			**491,709**

28
29
30
31 [1] The transfer to the RSA in 2008 is related to the operation of the Energy Supply Cost Variance Adjustment ($388) as approved by the Board in
32 Order No. P.U. 32 (2007) and the 2008 Income Tax True-up adjustment ($560) approved by the Board in Order No. 10 (2008). The 2007 transfer
33 from the RSA is related to recovery of 2007 supply costs resulting from changes in Hydro's rates to Newfoundland Power.
34
35 [2] Revenue amortizations approved by the Board in Order Nos. P.U. 32 (2007) and P.U. 39 (2006).
36
37 [3] The Board approved a 3-year amortization of the municipal tax liability in Order No. P.U 32 (2007) beginning in 2008.
38
39 [4] Beginning in 2008, interest on overdue customer accounts has been classified as a component of Other Revenue. For comparison purposes,
40 Other Revenue for 2007 is restated to include interest on overdue customer accounts.

Newfoundland Power Inc.
Normalized Production and Sales Statistics
For The Year Ended December 31, 2008
($000's)

		2008	2007
1	Gigawatt Hours - Purchased	5,088.0	5,013.1
2			
3	Gigawatt Hours - Produced	425.8	381.4
4			
5			
6	Total Purchased & Produced	5,513.8	5,394.5
7			
8			
9	Gigawatt Hours - Sold & Used	5,219.9	5,104.6
10			
11			
12	Gigawatt Hours - Losses	293.9	289.9
13			
14	Losses Expressed as a Percentage of		
15	Total Purchased & Produced	5.3%	5.4%
16			
17	Purchased Power Annual Billing Demand in kW	1,074,714	1,074,714

Newfoundland Power Inc.
Rate Stabilization Account
For The Year Ended December 31, 2008
($000's)

	Month	Opening Balance	Adjustments	RSA Billed During Month	Municipal Taxes	Excess Fuel Costs	Secondary Energy Costs	Interest Costs	Transfer To (From) Nfld. Hydro	Closing Balance
1	January	1,690.0	-	(949.9)	-	16.8	(0.4)	11.8	1,010.2	1,778.5
2										
3	February	1,778.5	-	(928.0)	-	3.0	-	12.4	914.3	1,780.2
4										
5	March	1,780.2	(1,041.6) [1]	(872.0)	(11.7) [2]	2.4	(0.1)	12.4	957.1	826.7
6										
7	April	826.7	-	(822.7)	-	4.7	-	5.8	745.1	759.6
8										
9	May	759.6	-	(674.9)	-	13.5	-	5.3	634.0	737.5
10										
11	June	737.5	-	(567.9)	-	10.5	-	5.1	511.0	696.2
12										
13	July	696.2	-	(1,372.7)	-	36.1	(2.8)	4.9	2,083.2	1,444.9
14										
15	August	1,444.9	-	(2,186.0)	-	29.6	-	10.1	2,116.5	1,415.1
16										
17	September	1,415.1	-	(2,170.3)	-	124.5	-	9.9	2,156.8	1,536.0
18										
19	October	1,536.0	-	(2,434.5)	-	5.8	(0.1)	10.7	2,805.6	1,923.5
20										
21	November	1,923.5	-	(2,977.9)	-	14.9	-	13.4	3,117.5	2,091.4
22										
23	December	2,091.4	(388.7) [3]	(3,369.6)	56.0 [4]	50.6	(0.6)	14.6	4,036.3	2,490.0
24										
25			(1,430.3)	(19,326.4)	44.3	312.4	(4.0)	116.4	21,087.6	
26										
27										
28										
29										
30										
31										

[1] This is the total of the transfer of $560,000 related to the 2008 Income Tax True-up approved in Order No. P.U. 10 (2008) and $481,611 related to the disposition of the 2007 year-end balance in the Purchased Power Unit Cost Variance Reserve approved in Order No. P.U. 6 (2008).

[2] This adjustment relates to property taxes paid in 2007.

[3] This is the Energy Supply Cost Variance for 2008 approved in Order No. P.U. 32 (2007).

[4] This is the difference between total municipal taxes collected from customers through rates and the total taxes paid to municipalities for 2008.

Newfoundland Power Inc.
Weather Normalization Reserve
For The Year Ended December 31, 2008
($000's)

1	**Degree Day Normalization Reserve Transfer**	
2		
3	Revenue Adjustment	
4	Heating Degree Days	6,993
5	Cooling Degree Days	-
6	Wind Speed Adjustments	582
7	Total Revenue Adjustment	7,575
8		
9	Less : Power Purchased Adjustment	
10	Heating Degree Days	7,994
11	Cooling Degree Days	-
12	Wind Speed Adjustments	657
13	Total Power Purchased Adjustment	8,651
14		
15	Net Adjustment (Before Tax)	(1,076)
16		
17	Less: Income Tax @ 33.5%	(361)
18		
19	Net Adjustment (After Tax)	(715)
20		
21	Amortization of Weather Normalization Reserve[1]	(1,366)
22		
23	Net Transfer (To) From Degree Day Normalization Reserve	(2,081)
24		
25		
26	**Hydro Production Equalization Reserve Transfer**	
27		
28	Transfer (To) From Reserve (Before Tax)	(3,797)
29		
30	Less: Income Tax @ 33.5%	(1,272)
31		
32	Net Transfer (To) From Hydro Production Equalization Reserve	(2,525)
33		
34		
35	**Net Transfer (To) From Weather Normalization Reserve**	**(4,606)**

		Weather Normalization Account Balances		
36				
37				
38				
39				
40		**Balance at January 1**	**Net**	**Balance at December 31**
41		**2008**	**Transfers**	**2008[2]**
42				
43				
44	Degree Day Reserve	6,648	(2,081)	4,567
45	Hydro Equalization Reserve	3,868	(2,525)	1,343
46		10,516	(4,606)	5,910
47				

48 [1] This is the amortization of a non-reversing balance in the degree day normalization reserve as approved by the Board in Order No. P.U. 32 (2007).

47 [2] A positive balance in the weather normalization reserve reflects amounts to be recovered from customers in future periods. A negative
48 balance in the weather normalization reserve reflects amounts owed to customers.

Newfoundland Power Inc.
Demand Management Incentive Account
For The Year Ended December 31, 2008
($000's)

1	**Demand Management Incentive Account Transfer**	
2		
3	Demand Supply Cost Variance	(1,170)
4		
5	Demand Management Incentive[1]	529
6		
7	Supply Cost Variance Outside Deadband	(641)
8		
9	Less: Income Tax @ 33.5%	(215)
10		
11	**Net Transfer (To) From Demand Management Incentive Account**	**(426)**
12		
13		
14		
15	**Demand Management Incentive Account Balance**	
16		
17	Balance at January 1, 2008	-
18		
19	Net Transfer (To) From Demand Management Incentive Account	(426)
20		
21	Balance at December 31, 2008[2]	(426)
22		
23		
24		

25 [1] The demand management incentive of $529,000 is plus/minus 1% of test year wholesale demand charges. The Demand
26 Management Incentive Account definition was approved by the Board in Order No. P.U. 32 (2007).
27
28 [2] In accordance with Order No. P.U. 32 (2007), Newfoundland Power filed an application with the Board on
29 February 27, 2008 pertaining to the disposition of the 2008 year end balance in the Demand Management
30 Incentive Account.

Newfoundland Power Inc.
Purchased Power Unit Cost Variance Reserve
For The Year Ended December 31, 2008
($000's)

Purchased Power Unit Cost Variance Reserve Balance

Balance at January 1, 2008	(1,650)
Transfer to RSA[1]	308
2008 Amortization[2]	447
Balance at December 31, 2008	(895)

[1] In Order No. P.U. 6 (2008), the Board approved a transfer to the RSA of $308,000 for the disposition of the balance in the Purchased Power Unit Cost Variance Reserve (the "PPUCVR") related to adjustments arising from its operation in 2007.

[2] In Order No. P.U. 32 (2007), the Board approved a 3-year amortization of the 2006 year end balance in the Purchased Power Unit Cost Variance Reserve of $1,342,000. The balance in the PPUCVR will be fully amortized at December 31, 2010. Beginning in 2008, the PPUCVR has been replaced by the Demand Management Incentive Account.

Newfoundland Power Inc.
Statement of Operating & General Expenses
For The Year Ended December 31, 2008
($000's)

		2008	2007	Variances [1]
1	Operating Expenses			
2				
3	Purchased Power	336,658	326,778	9,880
4	Power Produced	2,552	2,480	72
5	Administrative and Engineering Support	5,604	5,585	19
6	Environmental Policy	398	581	(183)
7	Substations	2,123	2,311	(188)
8	Transmission	585	587	(2)
9	Distribution	6,592	6,575	17
10	Communications	1,394	1,399	(5)
11	Fleet Operating and Maintenance Expense	1,572	1,497	75
12				
13				
14		357,478	347,793	9,685
15				
16				
17	General Expenses			
18				
19	Customer Service	10,363	10,273	90
20	Financial Services	1,494	1,646	(152)
21	Information Systems	2,487	2,752	(265)
22	Pension Costs	3,040	5,567	(2,527)
23	Retirement Allowances	307	345	(38)
24	Corporate and Employee Services	13,458	13,570	(112)
25				
26				
27		31,149	34,153	(3,004)
28				
29				
30	Total Operating & General Expenses	388,627	381,946	6,681
31				
32	Less: Transfers to General Expenses Capitalized	1,797	1,966	(169)
33				
34				
35	**Total Expenses [2]**	**386,830**	**379,980**	**6,850**
36				
37				

38 [1] Variances are explained in Return 21.

40 [2] This is equal to the total of purchased power costs, operating expenses and pension costs shown in Return 1.

Newfoundland Power Inc.
Explanation of Expense Variances
2008 versus 2007
($000's)

	2008	2007	Increase (Decrease)
Total Expenses	**386,830**	**379,980**	**6,850**

Total expenses for 2008 increased by $6.8 million, or 1.8 per cent over 2007. This increase was due primarily to higher purchased power expense, offset by lower pension expense associated with a change in the discount rate.

The following is an explanation of significant variances for individual operating and general expense classes.

Purchased Power	**336,658**	**326,778**	**9,880**

The increase in Purchased Power expense in 2008 was a result of higher energy sales as well as the impact of the 2008 leap year which amounted to one extra day of purchases. In addition, the PUB ordered the deferred recovery in 2007 of the cost of replacement energy purchased during the refurbishment of the Company's Rattling Brook hydroelectric plant. This deferral was recorded in 2007 as a decrease in Purchased Power expense and is being amortized as an increase in expense equally over the period 2008-2010.

Power Produced	**2,552**	**2,480**	**72**

The increase in Power Produced cost was the result of increased expenses related to water power rental rates, snow clearing and vegetation management.

Administrative and Engineering Support	**5,604**	**5,585**	**19**

Administrative and Engineering Support costs were in line with 2007. The 2008 Administrative and Engineering Support costs were higher than 2007 due to inflation impacts. The increases in 2008 costs due to inflation were offset by the costs associated with the December 2nd 2007 sleet storm on the Bonavista Peninsula.

Environmental Policy	**398**	**581**	**(183)**

The decrease in Environmental Policy cost in 2008 was a result of lower operating cost attributable to oil spills. The decrease in cost is attributed to the lower number and volume of spills during 2008, and an accounting change in the allocation of cost to equipment retirement.

Newfoundland Power Inc.
Explanation of Expense Variances
2008 versus 2007
($000's)

	2008	2007	Increase (Decrease)
Substations	**2,123**	**2,311**	**(188)**
Substations operating costs were lower in 2008 as a result of staff being relocated to additional capital projects associated with the interconnection of two wind farms and the in-service failure of the Pierre's Brook transformer.			
Transmission	**585**	**587**	**(2)**
Transmission operating costs for 2008 were in line with costs for 2007.			
Distribution	**6,592**	**6,575**	**17**
Distribution operating costs for 2008 were in line with costs for 2007. Increases due to inflation were offset by improvements in breakdown maintenance and no significant storm damage in 2008.			
Communications	**1,394**	**1,399**	**(5)**
Communications operating costs for 2008 were in line with costs for 2007.			
Fleet Operating and Maintenance Expense	**1,572**	**1,497**	**75**
The increase in Fleet Operating and Maintenance Expense is primarily the result of higher fuel costs.			
Customer Service	**10,363**	**10,273**	**90**
Customer Service operating costs were in line with 2007. An increase in conservation and demand management (CDM) expenditures was partially offest by a reduction in uncollectible bills.			

Newfoundland Power Inc.
Explanation of Expense Variances
2008 versus 2007
($000's)

	2008	2007	Increase (Decrease)
Financial Services	**1,494**	**1,646**	**(152)**

The decrease in Financial Services cost in 2008 when compared to 2007 was a result of staff reductions following the 2007 GRA.

Information Systems	**2,487**	**2,752**	**(265)**

Information Systems operating costs were lower in 2008 as a result of changes in the payment schedule for software maintenance expenses. The 2007 Information Systems operating costs were higher than normal due to corporate website improvements and the implementation of added security features.

Pension Costs	**3,040**	**5,567**	**(2,527)**

Pension costs were lower in 2008 as a result of amortization of higher than expected returns on pension plan assets experienced during 2007, and a higher discount rate determined as at December 31, 2007 in accordance with CICA reporting requirements.

Retirement Allowances	**307**	**345**	**(38)**

The 2007 Retirement Allowances of $345,000 included $135,000 associated with the amortization of the 2005 Early Retirement Program cost. Excluding the 2005 ERP amortization, the 2008 Retirement Allowance variance was $97,000 above 2007. The increase in 2008 resulted from a higher number of severances compared with 2007.

Corporate and Employee Services	**13,458**	**13,570**	**(112)**

Lower Corporate and Employee Services costs in 2008 reflect the timing of recognition of PUB assessment expenses. This was partially offset by increased energy efficiency program advertising and increased labour costs.

General Expenses Capitalized	**1,797**	**1,966**	**(169)**

The decrease in General Expenses Capitalized (GEC) reflects reductions in those expense groupings (mostly pension costs) from which indirect allocations to GEC are derived.

Newfoundland Power Inc.
Calculation of Taxable Income and Income Tax Expense
For The Year Ended December 31, 2008
($000's)

1	Net Earnings from Return 1		32,895
2			
3	Add: Provision for current income tax	19,943	
4	Provision for prior years taxes	188	
5	Provision for future income taxes	1,184	
6	Provision for Purchased Power Unit Cost Variance Reserve (PPUCVR)	415	
7	Provision for Replacement Energy Costs	(216)	
8	Provision for Weather Normalization	(2,368)	19,146
9			
10	Net Income Before Income Taxes		52,041
11			
12	Add: Amortization of capital assets net of deferred expense	40,649	
13	Amortization of debt discount & expenses	177	
14	Amortization of capital stock issue expenses	62	
15	Amortization of credit facility costs	59	
16	Business meals & related expenses	190	
17	Special pension liability	198	
18	Replacement Energy Cost	598	
19	Revenue re: Agreement With CRA	7,513	
20	Stock option expense not deductible	367	
21	Small tools in excess of $500	175	
22	Deferred Depreciation Costs	3,862	
23	Deferred GRA Expenses	201	
24	Other non deductible costs	27	54,078
25			
26			106,119
27			
28	Less: Capital cost allowance	39,119	
29	Cumulative eligible capital	11	
30	Credit Facility Costs	50	
31	Revenue re: Agreement With CRA	7,210	
32	General expenses capitalized	2,765	
33	Interest charged to construction	618	
34	Bond issue expenses	107	
35	Deferred GRA costs	5	
36	Part VI.1 tax deduction	34,899	
37	Capital gains on sale of land included in income	59	
38	Difference in pension funding and accounting cost	2,300	87,143
39			
40	Taxable Income		18,976
41			
42	Weather Normalization deducted as future tax		2,368
43	Provision for PPUCVR		(415)
44	Income Tax - Part 1		6,357
45	Income Tax - Part VI.1		11,633
46	Provision for prior years taxes		188
47			
48	Current Income Tax Expense		20,131
49			
50	Provision for PPUCVR		415
51	Provision for Replacement Energy Costs		(216)
52	Provision for Weather Normalization		(2,368)
53	Future income tax		1,184
54			
55	Future Income Tax Provision		(985)
56			
57	Total Tax Expense		19,146

Newfoundland Power Inc.
Accumulated Future Income Taxes
For The Year Ended December 31, 2008
($000's)

Plant Investments			
Balance on January 1, 2008			-
Add: CCA claimed on all property, plant and equipment - from Return 22		39,119	
Less: Amortization expense on all property, plant and equipment (GEC excluded from post-1986 additions)		37,135	
Difference		1,984	
Future Income Tax Rate @ 29%			575
Balance on December 31, 2008 (if negative enter 0)			575
Pension and Early Retirement Costs			
Balance on January 1, 2008			-
Add: Pension Funding		4,183	
Less: Pension Expense (including Special Pension Costs)		2,081	
Difference		2,102	
Future Income Tax Rate @ 29%			609
Balance on December 31, 2008			609
Total Accumulated Future Income Taxes			**1,184**

Newfoundland Power Inc.
Average Regulated Capital Structure
For The Year Ended December 31, 2008
($000's)

Average Book Capital Structure

	Year-End December 31 2008	Year-End December 31 2007	Average	Percent
Total Debt[1]	438,154	443,527	440,841	54.06%
Preference Shares	9,352	9,352	9,352	1.15%
Common Equity	373,738	356,671	365,205	44.79%
	821,244	809,550	815,398	100.00%

Regulated Average Capital Structure[2]

	Average 2008	Percent
Total Debt	440,841	54.06%
Preference Shares	9,352	1.15%
Common Equity	365,205	44.79%
	815,398	100.00%

[1] Beginning in 2008, debt for average capital structure is net of unamortized debt discount and issue expenses. For comparative purposes, debt for 2007 is also shown net of unamortized debt discount and expense.

[2] In Order No. P.U. 19 (2003), the Board ordered that the proportion of regulated common equity in the capital structure shall not exceed 45%. In years where the average common equity percentage is below 45% of the average invested capital, the regulated average capital structure will equal the average book capital structure.

Newfoundland Power Inc.
Cost of Embedded Debt
For The Year Ended December 31, 2008
($000's)

			December 31 2008	December 31 2007
1	**Average Debt**			
2	Bonds		409,088	413,638
3	Credit Facilities		32,000	33,000
5			441,088	446,638
6				
7	Debt Discount and Issue Expenses[1]		(2,934)	(3,111)
8				
9			438,154	443,527
10				
11	Average Debt	**A**	440,841	427,851
12				
13	**Interest Expense[2]**			
14	Interest on Bonds		32,334	33,718
15	Interest on Credit Facilities		1,445	1,437
16	Interest on Bank Indebtedness		11	38
17	Amortization of Debt Discount and Issue Costs		235	256
18				
19		**B**	34,025	35,449
20				
21	**Embedded Cost of Debt**	**B/A**	**7.72%**	**8.29%**
22				
23				
24				

25 [1] Beginning in 2008, unamortized debt discount and issue expenses are included in the calculation of average debt.
26 In 2007, unamortized debt discount and expenses were included in deferred charges.
27
28 [2] Interest earned and interest on overdue accounts have been re-classified as Other Revenue beginning in
29 2008. For comparative purposes, the 2007 interest expense has been restated to reflect this reclassification.
30 Total financing costs for 2008 and 2007 as reported in Return 1 are as follows:
31

		2008	2007
32			
33	Interest Expense (B) from above	34,025	35,449
34	Add: Amortization of Capital Stock Issue Expenses	62	62
35	Add: Interest on Security Deposits	38	50
36	Less: AFUDC	(618)	(622)
37	Interest Expense Reported in Return 1	33,507	34,939

Newfoundland Power Inc.
Explanation of Variances in Cost of Debt
For The Year Ended December 31, 2008
($000's)

		Actual 2008	Test Year 2008	Variance
1	**Average Debt**	440,841	440,691	150
2				
3	**Embedded Cost of Debt**	7.72%	7.93%	-0.21%
4				
5	**Details of the Embedded Cost of Debt**			
6	Interest on Bonds	32,334	32,334	-
7	Interest on Credit Facilities	1,445	2,393	(948) [1]
8	Interest on Bank Indebtedness	11	-	11
9	Amortization of Debt Discount and Issue Costs	235	236	(1)
10				
11		34,025	34,963	(938)

12
13
14
15
16
17

18 **Explanation of Variances**

19 [1] The reduction in interest costs is primarily related to reductions in actual borrowing rates driven
20 by market conditions in 2008. The short-term rates used in the 2008 Test Year were based on forecast
21 information from the five major Canadian Banks in August of 2007 and indicated an average
22 short-term rate of 5.75% for 2008. Actual short-term rates in 2008 ranged from a high of 4.82% in January
23 to a low of 2.28% in December.

Newfoundland Power Inc.
Regulated Return on Average Common Equity
For The Year Ended December 31, 2008
($000's)

		2008	2007
1	**Average Common Equity**		
2			
3	Common Equity at December 31, 2008	373,738	
4			
5	Common Equity at December 31, 2007	356,671	356,671
6			
9	Common Equity at December 31, 2006		335,887
10			
11	Average Common Equity	365,205	346,279
12			
13			
14	**Regulated Return on Average Common Equity**		
15			
16	Earnings Applicable to Common Shares - Return 1	32,341	29,866
17			
18	Add: Non-Regulated Expenses (net of income taxes)	995	111
19			
20		33,336	29,977
21			
22			
23	**Regulated Return on Average Common Equity**	**9.13%**	**8.66%**

Newfoundland Power Inc.
Assessable Revenue
(s. 13 of the *Public Utilities Act*)
For The Year Ended December 31, 2008
($000's)

1	Revenue From Rates from Return 14	497,360	
2			
3	Weather Normalization Revenue Adjustment from Return 17	(7,575)	
4			
5		489,785	
6			
7	Municipal Taxes Billed	12,338	
8			
9	Billing per the Rate Stabilization Account from Return 16	19,326	
10			
11	Total Electrical Revenue Billed		521,449
12			
13	Other Revenue from Return 14		13,267
14			
15	**Assessable Revenue**		**534,716**

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
PO Box 8910
St. John's, Newfoundland
A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

February 12, 2009

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

Enclosed are eleven (11) copies of Newfoundland Power Inc.'s Quarterly Regulatory Report for the quarter ending December 31, 2008.

The report is divided into five sections: Quarterly Summary; Capital Expenditure Progress; Inter-Company Transactions; Customer Property Damage Claims; and Contribution In Aid of Construction Activity.

In Order No. P.U. 32(2007), the Board ordered Newfoundland Power to provide, as part of its quarterly reporting, updates on (1) the progress of its retail customer rate review, and (2) the status of the Accounting Standards Board's consideration of the transition to International Financial Reporting Standards. Updates on these matters are provided under the headings *Customer Service* and *Financial Matters*, respectively, in the Quarterly Summary in Section 1 of the report.

If you have any questions on the enclosed, please contact the undersigned at the direct number noted below.

Yours very truly,

Gerard Hayes
Senior Counsel

Enclosures

c. Geoffrey P. Young
Newfoundland & Labrador Hydro

Quarterly Regulatory Report

For The Period Ended

December 31, 2008

QUARTERLY REGULATORY REPORT

FOR THE PERIOD ENDED

December 31, 2008

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Quarterly Summary	1
Capital Expenditure Progress	2
Inter-Company Transactions	3
Customer Property Damage Claims	4
CIAC Activity	5

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1. Highlights

Highlights	4th Quarter			Annual	
	Actual 2008	Plan 2008	Actual 2007	Actual 2008	Plan 2008
Customer Satisfaction (%)	89	89	87	89	89
Electricity Delivery [1]					
Electricity Sales (GWh)	1,412.2	1,412.9	1,383.7	5,208.2	5,215.1
Peak Demand (MW) [2]	1,188.0	1,219.8	1,171.8	1,188.0	1,219.8
Customer Minutes of Outage [3]	11.6	8.5	53.1	36.3	39.6
Revenue ($millions) [1]	139.0	139.7	132.6	516.9	518.9
Earnings ($millions) [4]	7.9	8.2	8.7	32.3	31.7

- An employee was fatally electrocuted on October 22nd.
- 4th quarter and annual customer satisfaction was 89 per cent.
- 4th quarter reliability performance was below plan; annual performance exceeded plan.
- 4th quarter financial performance was below plan; annual performance exceeded plan.
- 2008 capital expenditures exceeded plan by $8 million.
- 2009 capital budget of $61.6 million approved by the Public Utilities Board.
- Joint energy conservation brand launched with Newfoundland and Labrador Hydro.

1 Weather adjusted.
2 Peak demand for the 2007/2008 winter period occurred on January 22, 2008 at 5:45 p.m.
3 In millions of minutes, excluding Hydro related interruptions.
4 Earnings applicable to common shares.

2. Customer Service

Customer Service Performance (%)	Annual		
	Actual 2008	Plan 2008	Actual 2007
Customer Satisfaction	89	89	88
First Call Resolution [1]	88	87	87
Service Level [2]	80	80	80
Trouble Call Response [3]	91	85	89

[1] Per cent of customer calls resolved on first contact.
[2] Per cent of customer calls answered within 40 seconds.
[3] Per cent of call response within two hours.

Customer Service Performance

2008 customer satisfaction was 89 per cent.

2008 first call resolution at 88 per cent and trouble call response at 91 per cent exceeded the annual plan. Customer call response service level of 80 per cent for 2008 was consistent with the annual plan.

Energy Conservation

In November, Newfoundland Power and Newfoundland and Labrador Hydro ("Hydro") jointly launched a new energy conservation brand, takeCHARGE! Saving Energy Starts Here! along with a new energy conservation website, takechargenl.ca. The brand was introduced with a media event hosted at *The Rooms* and an advertising campaign featuring billboards, print and television advertisements.

Since the website launched on November 13th, takechargenl.ca has had over 5,200 visitors. The site includes various interactive tools, tips, and programs to assist customers to take charge of their electricity usage in their home or business. We will continue to build upon the website as new programs and initiatives are launched.

In addition to the customer campaign, we reinforced the launch of the new energy conservation brand with the introduction of an employee intranet site, *Unplugged*; an employee conservation newsletter; and employee events and activities across the province focused on energy conservation.

2009 Conservation Cost Deferral Application

On October 29th, the Company filed an application with the Public Utilities Board (the "PUB") seeking deferred recovery of 2009 conservation costs of approximately $2 million. The costs are associated with implementation of customer conservation programming contemplated by the June 2008 joint 5-year Newfoundland Power – Hydro conservation plan.

Year-End Receivables

Customer receivables outstanding at year-end 2008 were $29.1 million of which $225,000 was outstanding more than 90 days. This compares with customer receivables outstanding at year-end 2007 of $33.5 million of which $279,000 was outstanding more than 90 days.

Automatic Meter Reading

During the 4th quarter, 1,200 AMR meters were installed in locations that required six or more meter reading estimates in the past two years due to winter inaccessibility. These meters will ensure that readings are obtained for these inaccessible locations, which reduces the volume of billing estimates, adjustments and related customer inquiries that occur for these accounts. The total number of AMR meters installed across the province now exceeds 12,000.

Retail Rate Review

In accordance with the 2008 GRA Settlement Agreement, Newfoundland Power is conducting an evaluation of its existing rate designs and a review of alternative rate designs to determine their appropriateness for billing customers (the "Retail Rate Review"). A draft of the Rate Design Report was provided to the Consumer Advocate and Newfoundland and Labrador Hydro ("Hydro") in early December 2008. Feedback on the draft was received in early January 2009.

Newfoundland Power has revised the report in light of the feedback received from the Consumer Advocate and Hydro. The final Rate Design Report was submitted to the Board on January 28, 2009.

Corinne Roberts, Heather Carter and Cynthia Noble at the takeCHARGE launch event.

3. System Performance

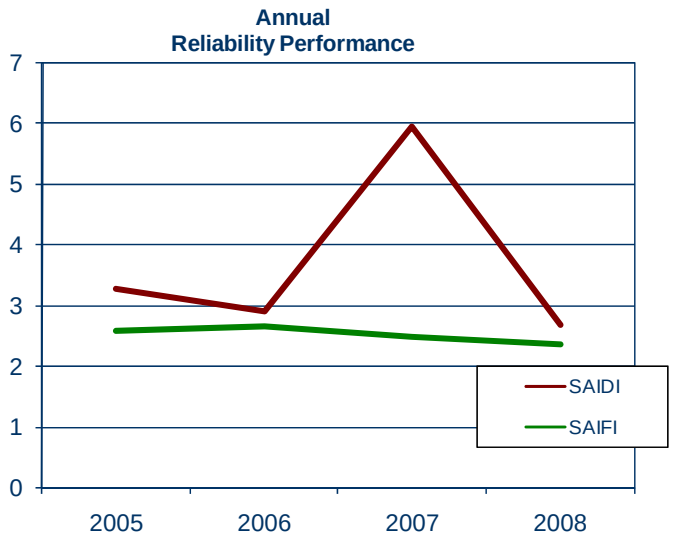
A. Reliability

System Reliability [1]	Annual		
	Actual 2008	Actual 2007	Plan 2008
Customer Minutes of Outage [2]	36.3	79.7	39.6
SAIDI (Outage hours per customer)	2.67	5.94	2.94
SAIFI (Outages per customer)	2.35	2.46	2.44

1 Excludes Hydro-related interruptions.
2 In millions of minutes.

The electrical system continued to perform reliably to the end of the year.

Both the frequency and duration of outages were better than plan. This year's performance is in line with the gradual improvement indicated by the results shown in 2005 and 2006. 2007 results were impacted by the storm damage that occurred on the Bonavista Peninsula in early December 2007.



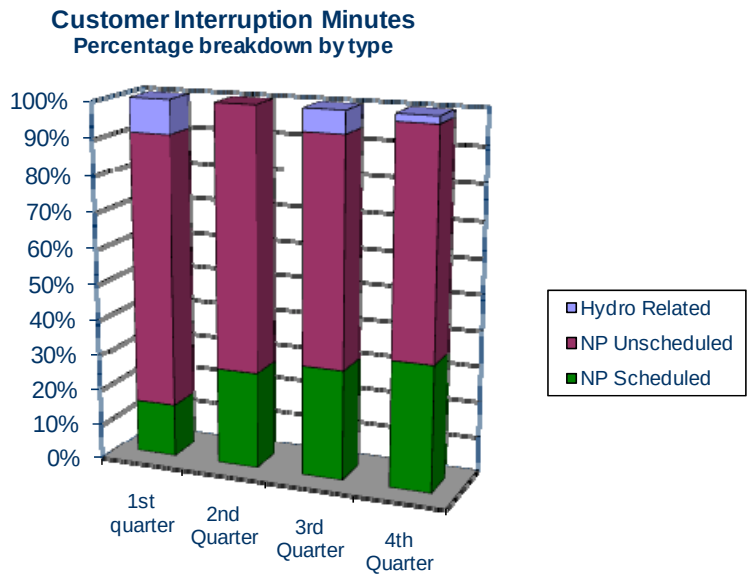
Significant unplanned power interruptions during the 4th quarter included:

1. Oct 22nd: A fault on transmission line 123L affected service to 3,456 customers in the Bonavista – Catalina area resulting in 427,084 customer minutes of outage.
2. Oct 26th: A fault on the underwater cable between Broad Cove and Bell Island affected service to 1,521 customers on Bell Island resulting in a total of 269,217 customer minutes of outage.
3. Nov 7th: A broken insulator on transmission line 358L affected service to 1,387 customers in the Gillams – Cox's Cove area resulting in 563,818 customer minutes of outage.
4. Nov 26th: A broken conductor on Hardwoods-02 affected service to 1,250 customers in the Topsail Road - Paradise area resulting in a total of 217,500 customer minutes of outage.

5. Dec 10th: A broken cross-arm on Molloy's Lane-06 affected service to 1,398 customers in the Waterford Bridge Road area of St. John's resulting in 278,202 customer minutes of outage.
6. Dec 13th: A broken conductor affected service to 1,679 customers in the Cowan Heights area of St. John's resulting in 210,107 customer minutes of outage.
7. Dec 14th: A broken insulator on Western Avalon-01 affected service to 1,224 customers in the Long Harbour area resulting in 226,720 customer minutes.
8. Dec 22nd: A broken conductor affected service to 429 customers in the Cromer Avenue area of Grand Falls-Windsor resulting in 229,726 customer minutes of outage.

Similar to the 3rd quarter, customer interruption minutes associated with unscheduled outages accounted for 63 per cent of the total minutes this quarter. Approximately 4.1 million outage minutes, or 35 per cent of the total were associated with Newfoundland Power's scheduled maintenance, up from 31 per cent in the 3rd quarter. An increase in scheduled outages is typical in the 4th quarter as work is completed based on inspections carried out earlier in the year.

Hydro related outages decreased in the 4th quarter to 2 per cent of the total in comparison to 6 per cent during the 3rd quarter.



Sixteen crews were involved in a significant upgrade to the distribution system along South Side Road in St. John's.

B. Electricity Supply

Electricity Supply	4th Quarter			Annual	
	Actual 2008	Plan 2008	Actual 2007	Actual 2008	Plan 2008
Energy Purchased (GWh) [1]	1,324.4	1,380.1	1,374.1	4,960.2	5,099.9
Peak Demand (MW) [2, 3]	1,188.0	1,219.8	1,171.8	1,188.0	1,219.8
Hydro Plant Production (GWh)	100.3	117.4	97.9	454.3	425.8
Plant Availability (%)	92.8	95.0	96.6	95.2	95.0

[1] Not weather adjusted.
[2] Weather adjusted.
[3] Peak demand for the 2007/2008 winter period occurred on January 22, 2008 at 5:45 p.m.

Energy purchased was 55.7 GWh lower than plan for the quarter. To the end of the year, energy purchased was 139.7 GWh below plan primarily due to higher than expected production at the Company's hydro facilities and lower than expected electricity sales. The reduction in energy sales is primarily due to warmer than normal weather conditions.

Hydro plant production was lower than plan for the quarter primarily as a result of low water inflows in October and November. This was somewhat offset by higher than normal water inflows during December that resulted in a 15 GWh increase in production over normal for the month.

Hydro plant availability was lower than plan during the 4th quarter mainly due to outages at three plants. At the Seal Cove plant, an electrical component failed and required a reengineered replacement. At Morris plant, ice at the plant intake resulted in the plant repeatedly tripping off line. At Tors Cove plant, required maintenance resulted in a unit being unavailable for four weeks.

There were 58 forced outages in the quarter compared to 74 in the same period of 2007. In total, there were 255 forced outages in 2008 in comparison to 233 during 2007.

Mobile River Watershed

The City of St. John's termination of the Company's rights to use the Mobile River watershed requires the City to pay the Company the value of certain assets, including the Mobile and Morris hydroelectric plants which have combined capacity of 11.6 MW and average production of 49 GWh per year.

Arbitration proceedings to establish the value of these assets commenced in the 4th quarter of 2008 and will continue into 2009.

4. Financial Matters

Financial Highlights	4th Quarter			Annual	
	Actual 2008	Plan 2008	Actual 2007	Actual 2008	Plan 2008
Revenue ($millions)	139.0	139.7	132.6 [1]	516.9	518.9
Purchased Power Costs ($millions)	94.2	93.6	88.0	336.7	337.2
Operating Costs ($millions) [2]	12.1	12.0	13.3	47.1	47.7
Operating Cost per Customer ($)	208	212	213	208	212
Earnings ($millions) [3]	7.9	8.2	8.7	32.3	31.7

[1] Reflects 2008 reclassification of interest on customer accounts from finance charges to other revenue.
[2] Excluding pension and early retirement program costs.
[3] Earnings applicable to common shares.

Financial Results

Revenue for the 4th quarter of 2008 was consistent with plan. Annual revenue was $2 million lower than plan. Approximately one-half of the annual revenue variance reflects customer rate adjustments, as ordered by the PUB in May 2008, to reflect reduced 2008 corporate income tax rates.

Purchased power costs were consistent with plan for the 4th quarter and on an annual basis.

Operating costs for the 4th quarter of 2008 were consistent with plan. Annual operating costs were lower than plan reflecting a combination of reduced non-labour costs and increased labour costs for the year.

Earnings for the year are higher than plan and principally reflect lower finance and operating costs offset by higher depreciation costs.

Operating Cost per Customer

Operating cost per customer was lower than plan for the year which reflects a higher number of customers combined with lower operating costs relative to plan.

Defined Benefit Pension Plan

Market value of defined benefit pension plan assets was approximately $213 million at year end 2008. This compares to a market value of plan assets of approximately $260 million at year end 2007. The 18 per cent decline in pension plan asset values during the year is primarily a reflection of deteriorating capital market conditions, particularly in the 4th quarter of 2008. Capital market developments will impact Company pension obligations, funding requirements and pension expense.

The impact on future funding requirements will be assessed in an actuarial valuation as of December 31st, 2008 which is required by pension regulation. This valuation is expected to be complete by the end of the 1st quarter of 2009.

Collective Bargaining

Negotiations between the Company and its union proceeded throughout the 4th quarter. Tentative agreements were reached shortly after year-end. A ratification vote on the proposed contracts is anticipated for February 2009.

International Financial Reporting Standards

In December, the International Accounting Standards Board (the "IASB") approved a project on rate-regulated accounting. The project has been added to the IASB's technical agenda with the intent of developing a permanent standard.

Under the project plan and timetable accepted by the IASB, the project is expected to be fully scoped by February 2009 and publication of an *exposure draft* for comment is anticipated by May 2009. It is expected that this *exposure draft* will begin to resolve the current uncertainty with regard to recognition of regulatory assets and liabilities under IFRS.

Adoption of IFRS in Canada is scheduled for 2011.

5. Capital Program

2008 Capital Expenditures		
	Annual	
	Actual 2008	Plan 2008 [1]
Total ($000s)	$63,169	$55,192

[1] Annual plan includes supplemental approval of $1,930,000 for the St. John's downtown civil work, $1,503,000 for the interconnection of two wind farms to the island interconnected system, $886,000 for the replacement of a transformer at the Pierre's Brook substation as well as carry forward projects from 2007 for the Rattling Brook Hydro Plant Refurbishment ($185,000) and the Kenmount Road building HVAC system ($579,000). The $750,000 allowance for unforeseen items is excluded from the plan.

2008 Capital Expenditures

2008 capital expenditures were $63.2 million which was approximately $8 million above plan.

Expenditures in the Distribution class accounted for $7 million of this $8 million increase. During 2008, there were 4,625 new customer connections, 1,172 more than the original budget estimate of 3,453. This accounted for 64 per cent of the $7 million Distribution capital variance. Inflationary increases, particularly in transformer purchase costs, accounted for an additional 19 per cent of the $7 million Distribution capital variance.

Major capital projects that were completed in the 4th quarter include:

- The refurbishment of the Cape Broyle hydro plant protection and control systems and associated substation modifications.
- Rebuilding of transmission line 20L between Mobile and Cape Broyle.
- Modifications at the Fermeuse substation to accommodate the interconnection of the SkyPower wind farm.
- Rehabilitation of dams at Whirl Pond and Soldiers Pond.
- Replacement of the building HVAC system at Kenmount Road.

The Mobile Gas Turbine at Fermeuse substation with the SkyPower wind turbines in the background

2009 Capital Budget

On November 12th, the PUB approved the Company's 2009 capital budget in the amount of $61.6 million.

6. Safety & Environment

A. Safety

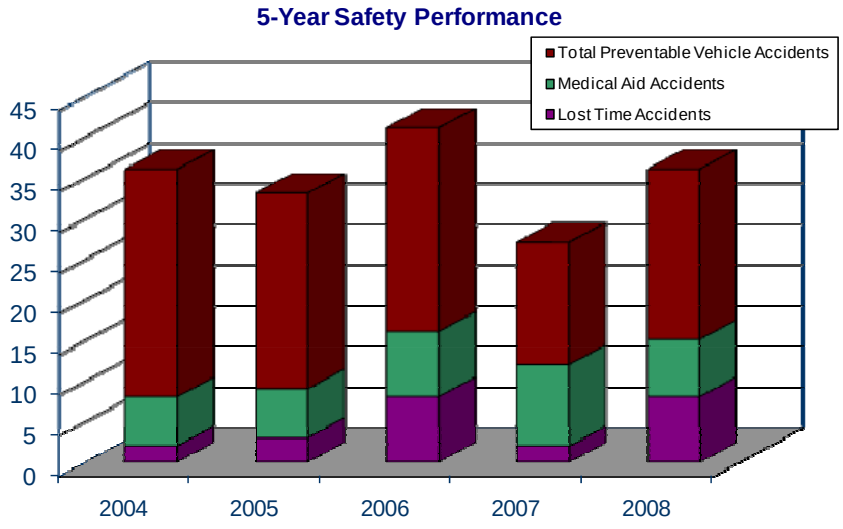
Safety Performance	Annual		
	Actual 2008	Plan 2008	Actual 2007
Injury Frequency Rate [1]	2.7	1.9	2.2

1 Injuries per 200,000 hours worked.

Employee Fatality

On October 22nd, a tragic accident on the Bonavista Peninsula claimed the life of a 30 year old Lineperson Apprentice. The fatally injured employee was part of a three person crew that was making preparations for an outage to replace a damaged string of insulators on a 138 kilovolt transmission line when a flashover to the structure caused dangerously high ground voltages to occur. The employee was electrocuted when he came in contact with the high voltages surrounding the structure.

An investigation determined that a combination of factors including the extent of the damage to the insulators and changing weather conditions contributed to the flashover. On December 2nd, an investigation report was submitted to the provincial Occupational Health and Safety Division ("the OHSD") for their review.



Safety Performance

Three Lost Time and two Medical Aid injuries occurred during the 4th quarter resulting in 82 days of lost time.

Fifteen recordable injuries occurred on an annual basis compared to a total of twelve during 2007. As a result, the all-injury frequency rate increased to 2.7 for 2008 from 2.2 in 2007. The injury severity rate (calendar days lost per 200,000 hours worked) increased to 80.9 in 2008 (453 days lost) from 1.8 in 2007 (10 days lost). This excludes the October employee fatality as worker fatalities are not included in injury severity rate calculations.

There were six preventable vehicle accidents during the quarter bringing the total for 2008 to 21 compared to a total of 15 during 2007. Thirteen of the 21 accidents were attributable to vehicle reversing.

Over 46 per cent of the total injuries and 87 per cent of total days lost during 2008 involved Meter Readers. In addition, 11 of the 21 preventable vehicle accidents were attributable to the Meter Reading group. The Company has undertaken a safety review of Meter Reading and implemented changes to vehicle and equipment standards in the 4th quarter of 2008. The review is expected to be ongoing through the 2nd quarter of 2009.

Regulation

On October 20th, the OHSD issued an order to the Company containing three directives pertaining to the safety requirements for electrical contractors authorized by the Company to disconnect and reconnect residential electrical services. The order specified requirements for procedures, equipment and training for contractors working on energized equipment. All requirements have been met through new procedures and training requirements.

In 2008, the OHSD issued 2 orders to the Company and 2 orders to Company contractors. In 2007, the OHSD issued 3 orders to the Company and 4 orders to Company contractors.

Hearing Conservation Program

During the 4th quarter, we implemented a Hearing Conservation Program for employees who may be exposed to high noise environments. Training sessions were conducted on how the human ear functions, how noise induced hearing loss occurs, and what can be done to prevent it. The sessions also included information on current legislative requirements, operations standards and procedures related to hearing conservation, as well as the proper selection, use and care of hearing protection devices. The Company's audiometric testing program was also discussed as this will form a regular part of the Hearing Conservation Program.

OHSAS 18001 System Audit

The Company's second annual health and safety system audit was conducted between September 29th and October 10th. The audit confirmed that we are compliant with the OHSAS 18001 standard and that the Health and Safety Management system is operating as intended. There were several opportunities for improvement identified relating to risk management and job planning procedures, equipment calibration and monitoring, and maintaining up to date forms and drawings.

Public Safety

During the 4th quarter, 3 high-voltage electrical contacts occurred as a result of tree cutting in proximity to lines. In addition, 2 low-voltage contacts occurred due to individuals damaging service conductors.

These incidents bring the total number of public contacts to 11 in 2008. This compares to 9 public contacts in 2007. There were no injuries reported as a result of public contacts in 2008.

The Company's Public Safety Awareness Program continued through the quarter with a series of television, radio and newspaper advertisements featuring substation, tree cutting/trimming and hunter safety messages.

B. Environment

Environment Performance	Annual	
	Actual 2008	Actual 2007
Number of Spills	55	82
Spills Greater than 50 mg/kg PCB	1[1]	2
Volume of Oil Spills (Litres)	729	2,090

[1] The actual spills greater than 50 mg/kg PCB was reported as 2 in 2nd quarter reporting due to the uncertainty of a spill analysis. The lab results have since indicated that the spill was less than 50 mg/kg PCB.

Both the number and volume of spills that occurred during 2008 were lower than 2007. More than 60 per cent of the spills that occurred in 2008 were spills involving less than 10 litres of oil. The largest spill in 2008 was 100 litres. In 2007, there were 3 spills of over 100 litres, which accounted for a total of 1,087 litres.

An Environmental Management System audit was conducted between September 29th and October 10th, 2008. The audit confirmed the Company's continued compliance with the ISO 14001 standard and that the Environment Management System has been properly implemented and maintained. No material non-conformances were identified in the audit report.

During the 4th quarter of 2008, 72 contractor employees that perform work on behalf of the Company were given environmental training.

The Company received no orders from environmental regulators in either 2008 or 2007.

7. Community

The Power of Life Project

Our employees and customers continue to support cancer care in our province by donating to our corporate charity, *The Power of Life Project*. During the quarter, employees organized events such as Texas hold'em tournaments, garage sales, golf putting, Christmas breakfasts and ticket sweeps to raise approximately $3,000 for cancer care.

Partners for Life

In December, we achieved our annual corporate pledge of 300 blood donations, which was the second highest of any corporate partner in Atlantic Canada. Since joining the Partners for Life Program in 2004 we have made over 1,400 donations, helping save up to 4,200 lives.

CIBC Run for the Cure

On Sunday, October 5th, 60 employees and family members participated in the annual CIBC Run for the Cure in support of breast cancer research. Team Newfoundland Power proudly walked or ran in their pink baseball caps to raise over $3,600 in support of family or friends affected by this disease.

Janeway Jeans Day

For the fourth year in a row, the Company has been a corporate sponsor of the annual Janeway Jeans Day held on Monday, November 3rd. This year, employees across the island raised $700 to help the Janeway purchase a state-of-the-art Infant Care Centre.

Christmas Parades

Our employees, retirees and family members got into the holiday spirit at Christmas parades across the island in November and early December. In St. John's, employees and family members walked the parade route, collecting food and money along the way. Over 23,000 pounds of food, valued at approximately $46,000, and well over $10,000 was collected for the Community Food Sharing Association. Over the past ten years we have collected approximately 176,000 pounds of food and over $70,000 to assist others during the holiday season.

Volunteers collect food and donations at the St. John's Downtown Christmas parade.

Businesses Partnerships

During the 4th quarter the Company sponsored several events, including: the Federation of Municipalities Convention (Gold sponsor, Corner Brook) and the MUN Alumni Tribute Awards (Platinum sponsorship, MUN).

FINANCIAL STATEMENTS

NEWFOUNDLAND POWER INC.
BALANCE SHEETS
As At December 31
($000s)

	2008	2007 [1]
Capital Assets		
Property plant and equipment	1,219,066	1,173,642
Less: accumulated depreciation	444,109	422,848
	774,957	750,794
Current Assets		
Cash	619	1,067
Accounts receivable	63,508	70,792
Income tax receivable	-	1,780
Materials and supplies	1,016	928
Prepaid Expenses	1,292	1,190
Regulatory assets	9,426	7,086
	75,861	82,843
Deferred Charges	93,273	88,674
Regulatory Assets	55,988	61,808
Customer Finance Plans	1,776	1,811
Total Assets	**1,001,855**	**985,930**
Shareholders' Equity		
Common shares	70,321	70,321
Retained earnings	303,417	286,350
Common shareholder's equity	373,738	356,671
Preference shares	9,352	9,352
	383,090	366,023
Current Liabilities		
Accounts payable and accrued charges	65,548	68,685
Income tax payable	7,633	-
Current portion of long-term debt	4,550	4,550
Regulatory liabilities	6,428	9,020
	84,159	82,255
Future Income Taxes	1,184	-
Long-term Debt	433,604	438,977
Other Liabilities	45,001	38,082
Regulatory Liabilities	54,817	60,593
Total Shareholders' Equity and Liabilities	**1,001,855**	**985,930**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS
For The Periods Ended December 31
($000s)

	FOURTH QUARTER			ANNUAL		
	Actual 2008	Plan 2008	Actual 2007 [1]	Actual 2008	Plan 2008	Actual 2007 [1]
Revenue	138,992	139,693	132,567	516,889	518,920	491,709
Purchased Power	94,245	93,554	87,994	336,658	337,159	326,778
Contribution	44,747	46,139	44,573	180,231	181,761	164,931
Operating Expenses	12,059	12,035	13,303	47,132	47,700	47,501
Pension Costs	434	564	1,125	1,912	2,220	4,439
Early Retirement Program Costs	282	282	282	1,128	1,128	1,262
Depreciation	10,250	10,214	10,552	40,649	40,208	39,955
Regulatory Deferral	965	981	(1,554)	3,862	3,862	(5,793)
Finance Charges	8,108	8,610	8,760	33,507	34,772	34,939
Income Before Income Taxes	12,649	13,453	12,105	52,041	51,871	42,628
Income Taxes	4,591	5,084	3,263	19,146	19,568	12,176
Net Earnings	8,058	8,369	8,842	32,895	32,303	30,452
Dividends on Preference Shares	147	147	146	554	586	586
Earnings Applicable to Common Shares	**7,911**	**8,222**	**8,696**	**32,341**	**31,717**	**29,866**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF RETAINED EARNINGS
For The Years Ended December 31
($000s)

	2008	2007
Balance, Beginning of the Year	286,350	265,566
Net Earnings	32,895	30,452
Dividends		
Preference Shares	(554)	(586)
Common Shares	(15,274)	(9,082)
Balance, End of the Year	**303,417**	**286,350**

NEWFOUNDLAND POWER INC.
STATEMENTS OF CASHFLOWS
For The Years Ended December 31
($000s)

	2008	2007 [1]
Cash From (Used In) Operating Activities		
Net earnings	32,895	30,452
Items not affecting cash:		
Amortization of capital assets	40,649	39,955
Amortization of deferred charges	298	318
Change in regulatory assets and liabilities	305	(6,180)
Future income taxes	1,184	-
Accrued employee future benefits	(4,471)	(7,407)
Change in non-cash working capital	14,191	(7,887)
	85,051	49,251
Cash From (Used In) Investing Activities		
Capital expenditures (net of salvage)	(67,333)	(72,167)
Long-term portion of finance programs	35	(84)
Contributions from customers and security deposits	3,227	2,580
	(64,071)	(69,671)
Cash From (Used In) Financing Activities		
Change in short-term borrowings	-	(320)
Proceeds from long-term debt	33,500	70,000
Repayment of long-term debt	(39,050)	(37,851)
Proceeds from related party loan	32,500	-
Repayment of related party loan	(32,500)	-
Payment of bond issue costs	-	(273)
Payment of credit facility fees	(50)	-
Redemption of preference shares	-	(1)
Dividends		
Preference shares	(554)	(586)
Common shares	(15,274)	(9,082)
	(21,428)	21,887
Change in Cash	(448)	1,467
Cash (Bank Indebtedness), Beginning of the Year	1,067	(400)
Cash, End of the Year	**619**	**1,067**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

APPENDICES

NEWFOUNDLAND POWER INC.
ELECTRICITY STATISTICS
For The Periods Ended December 31

	FOURTH QUARTER		ANNUAL	
	2008	**2007**	**2008**	**2007**
Sales (GWh)				
Actual	1,348.9	1,390.5	5,115.2	5,070.3
Weather adjusted	1,412.2	1,383.7	5,208.2	5,092.8
Plan[1]	1,412.9		5,215.1	
Produced & Purchased (GWh)				
Actual	1,425.1	1,472.3	5,415.6	5,370.6
Weather adjusted	1,492.0	1,465.2	5,513.8	5,394.5
Plan[1]	1,497.5		5,525.7	
Hydro Production (GWh)				
Actual	100.3	97.9	454.3	379.5

[1] Based on Customer and Energy Sales Forecast dated August 31, 2007.

NEWFOUNDLAND POWER INC.
STATEMENTS OF ELECTRICITY SOLD (GWh)
For The Periods Ended December 31

WEATHER ADJUSTED

	FOURTH QUARTER			ANNUAL		
BY SALES CATEGORY	**Actual 2008**	**Plan 2008**	**Actual 2007**	**Actual 2008**	**Plan 2008**	**Actual 2007**
Residential	882.2	877.3	856.3	3,130.3	3,130.8	3,044.4
Commercial						
0-10 kW	22.9	24.9	23.1	88.8	95.8	90.9
10-100 kW	165.6	167.4	162.0	641.8	647.4	629.2
110-1000 kVA	225.3	227.2	222.0	878.5	875.3	864.5
1000 kVA and Over	104.8	104.9	108.9	432.3	429.6	427.6
Total Commercial	518.6	524.4	516.0	2,041.4	2,048.1	2,012.2
Street Lighting	11.4	11.2	11.4	36.5	36.2	36.2
Total Calendar Basis Sales	**1,412.2**	**1,412.9**	**1,383.7**	**5,208.2**	**5,215.1**	**5,092.8**
BY REGION						
Eastern [1]	990.8	995.8	969.6	3,659.5	3,681.3	3,590.9
Western [2]	421.4	417.1	414.1	1,548.7	1,533.8	1,501.9
Total	**1,412.2**	**1,412.9**	**1,383.7**	**5,208.2**	**5,215.1**	**5,092.8**

[1] Eastern Region includes the St. John's, Avalon, Burin and Clarenville operating areas.
[2] Western Region includes the Gander, Grand Falls - Windsor, Corner Brook and Stephenville operating areas.

NEWFOUNDLAND POWER INC.
STATEMENTS OF REVENUE
For The Periods Ended December 31
($000s)

WEATHER ADJUSTED

BY SALES CATEGORY	FOURTH QUARTER Actual 2008	FOURTH QUARTER Plan [1] 2008	FOURTH QUARTER Actual 2007	ANNUAL Actual 2008	ANNUAL Plan [1] 2008	ANNUAL Actual 2007
Residential	84,318	84,033	79,110	302,916	303,191	284,113
Commercial						
0-10 kW	3,015	3,207	3,063	11,742	12,452	12,043
10-100 kW	16,466	16,565	16,271	63,129	63,201	62,237
110-1000 kVA	18,946	19,267	18,434	72,997	73,188	70,946
1000 kVA and Over	7,661	7,621	7,647	31,208	30,782	29,880
Total Commercial	46,088	46,660	45,415	179,076	179,623	175,106
Street Lighting	3,184	3,170	3,068	12,722	12,642	12,214
Forfeited Discounts	587	606	578	2,646	2,770	2,621
Revenue From Rates	**134,177**	**134,469**	**128,171**	**497,360**	**498,226**	**474,054**
Energy Supply Cost Variance [2]	(174)	-	-	(388)	-	-
RSA Shortfall [3]	-	-	663	-	-	3,044
2008 Income tax True-up [4]	-	-	-	(560)	-	-
Amortizations [5]						
2005 Unbilled Income Tax Settlement	648	658	728	2,592	2,592	2,714
2005 Unbilled Remaining Balance	1,154	1,173	-	4,618	4,618	-
Total Reported Revenue	**135,805**	**136,300**	**129,562**	**503,622**	**505,436**	**479,812**
Other Revenue [6]	3,187	3,393	3,005	13,267	13,484	11,897
Total Operating Revenue	**138,992**	**139,693**	**132,567**	**516,889**	**518,920**	**491,709**

[1] Based on sales forecast dated August 31, 2007 and rates effective January 1, 2008 as approved by Order No. P.U. 32(2007).
[2] Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).
[3] Adjustment to Revenue to reflect matching of revenue and purchase power expense as per Hydro's Jan 1/07 rate change. P.U. 42(2006).
[4] Reduction in revenue to reflect the 2008 Test Year Income Tax True-up as filed in the Company's application on February 29, 2008.
[5] Revenue amortizations as approved in Order No. P.U. 39(2006) & Order No. P.U. 32(2007).
[6] Restated to reflect the reclassification of interest income from Finance Charges to Other Revenue.

NEWFOUNDLAND POWER INC.
SUMMARY OF WEATHER ADJUSTMENTS
For The Periods Ended December 31
($000s)

	FOURTH QUARTER			ANNUAL		
REVENUE FROM ELECTRICITY SALES	**Actual 2008**	**Plan [1] 2008**	**Actual 2007**	**Actual 2008**	**Plan [1] 2008**	**Actual 2007**
Actual	129,074	134,469	128,682	489,785	498,226	472,233
Degree Day & Wind Adjustment	5,103	-	(511)	7,575	-	1,821
Weather Adjusted	**134,177**	**134,469**	**128,171**	**497,360**	**498,226**	**474,054**
Energy Supply Cost Variance [2]	(174)	-	-	(388)	-	-
2007 RSA Shortfall [3]	-	-	663	-	-	3,044
2008 Income Tax True-up [4]	-	-	-	(560)	-	-
Amortizations [5]						
2005 Unbilled Income Tax Settlement	648	658	728	2,592	2,592	2,714
2005 Unbilled Remaining Balance	1,154	1,173		4,618	4,618	-
Total Reported Revenue	**135,805**	**136,300**	**129,562**	**503,622**	**505,436**	**479,812**
PURCHASED POWER EXPENSE						
Actual	87,814	93,050	92,211	321,557	335,173	324,247
Degree Day & Wind Adjustment	5,898	-	(628)	8,652	-	2,101
Hydro Equalization Adjustment	(217)	-	(395)	3,797	-	11
Purchase Power Weather Adjusted	**93,495**	**93,050**	**91,188**	**334,006**	**335,173**	**326,359**
Rattling Brook Deferral 2007 [6]	-	-	(539)	-	-	(1,795)
PPUCVR 2007 Timing Adjustment	-	-	(3,318)	-	-	-
PPUCVR 2007 [7]	-	-	199	-	-	482
Demand Management Incentive Account [8]	241	-	-	641	-	-
Amortizations [9]						
Replacement Energy Costs (Rattling Brook)	149	152	-	598	598	-
PPUCVR Balance at Dec 31, 2006	(173)	(175)	-	(688)	(688)	-
Weather Normalization Reserve	533	527	-	2,101	2,076	-
Hydro Production Reserve 2007 [10]	-	-	464	-	-	1,732
Total Purchase Power Expense	**94,245**	**93,554**	**87,994**	**336,658**	**337,159**	**326,778**

[1] Based on sales forecast dated August 31, 2007 and rates effective January 1, 2008 as approved by Order No. P.U. 32(2007).
[2] Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).
[3] Adjustment to revenue to reflect matching of revenue and purchase power expense as per Hydro's January 1, 2007 rate change. P.U. 42(2006).
[4] Reduction in revenue to reflect the 2008 Test Year Income Tax True-up as filed in the Company's application on February 29, 2008.
[5] Revenue amortizations as approved in Order No. P.U. 39(2006) & Order No. P.U. 32(2007).
[6] Deferral of replacement energy costs (Rattling Brook) as approved in Order No. P.U. 39(2006).
[7] PPUCVR as approved in Order No. P.U. 44(2004).
[8] Demand Management Incentive Account as approved in Order No. P.U. 32(2007).
[9] Amortizations for 2008 as approved in Order No. P.U. 32(2007).
[10] As approved in Order No. P.U. 19(2003).

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS - DETAIL
For The Periods Ended December 31
($000s)

	FOURTH QUARTER			ANNUAL		
	Actual 2008	Plan 2008	Actual 2007 [1]	Actual 2008	Plan 2008	Actual 2007 [1]
Other Revenue						
Joint Use Revenue						
Aliant	1,745	1,743	1,695	6,981	6,970	6,782
CATV	471	524	446	1,880	2,090	1,786
Total Joint Use Revenue	2,216	2,267	2,141	8,861	9,060	8,568
Miscellaneous						
Customer Jobbing	92	219	254	434	529	732
Rental Income	6	-	-	26	-	19
Municipal Tax Liability [2]	340	345	-	1,362	1,362	-
Interest - Customer Accounts	193	222	369	1,155	1,200	1,477
Interest - RSA	38	-	(32)	116	-	(58)
Interest - CIAC	28	15	25	108	60	90
Interest - Other	33	33	34	135	132	146
Reconnections	15	34	18	84	119	71
NSF Cheque Charges	8	13	4	38	54	19
Wheeling Charges	144	144	136	615	567	490
Miscellaneous	5	38	(12)	65	150	84
Service Connection Fees	69	63	68	268	251	259
Total Miscellaneous	971	1,126	864	4,406	4,424	3,329
Total Other Revenue	**3,187**	**3,393**	**3,005**	**13,267**	**13,484**	**11,897**
Finance Charges [3]						
Interest on Long-term Debt	8,017	8,016	8,888	32,334	32,334	33,718
Interest on Long-term Committed Credit Facility	248	604	(235)	1,445	2,481	1,437
Interest on Short-term Uncommitted Demand Facility	2	-	332	11	-	38
Amortization of Deferred Debt Issue Costs	59	43	66	236	178	256
Amortization of Capital Stock Issue Costs	15	17	15	62	62	62
Interest on Security Deposits	7	-	12	37	-	50
Interest Charged to Construction	(240)	(70)	(318)	(618)	(283)	(622)
Total Finance Charges	**8,108**	**8,610**	**8,760**	**33,507**	**34,772**	**34,939**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

[2] Amortization of the Municipal Tax Liability as approved in Order No. P.U. 32(2007).

[3] Interest Income has been reclassified as Other Revenue for 2008 and 2007 comparative purposes.

NEWFOUNDLAND POWER INC.
CUSTOMER AND EMPLOYEE STATISTICS
As At December 31

	ANNUAL		
	Actual 2008	**Plan 2008**	**Actual 2007**
Customers	235,778	234,510	232,262
Employees [1]			
Regular	551	555	555
Temporary	77	71	72
Total	628	626	627

[1] Refers to full time equivalents.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY AREA
For The Periods Ended December 31

	SAIFI					SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR	QUARTER		12 MONTH TO DATE		5 YEAR
	2008	2007	2008	2007	TO DATE	2008	2007	2008	2007	TO DATE
AREA	#	#	#	#	# / YEAR	HOURS	HOURS	HOURS	HOURS	HRS. / YEAR
St. John's	0.69	1.68	2.35	2.98	2.42	0.70	2.06	1.99	3.46	2.41
Avalon	0.57	0.62	1.79	3.00	2.05	0.59	1.97	1.82	4.28	3.01
Burin	1.34	0.85	3.84	3.98	5.09	1.65	0.81	4.18	2.96	4.35
Bonavista	1.52	3.27	6.33	5.82	5.53	1.87	37.63	7.18	41.71	12.94
Gander	0.58	0.88	4.00	3.08	4.47	0.64	4.12	4.65	6.56	6.13
Grand Falls	1.31	1.16	2.46	2.21	3.14	1.84	1.20	3.25	2.85	4.76
Corner Brook	0.62	2.33	1.97	3.97	2.45	0.90	2.34	2.46	4.33	2.86
Stephenville	1.39	0.50	4.63	3.68	4.52	0.33	0.74	2.55	4.13	4.86
Company Totals	**0.84**	**1.46**	**2.84**	**3.30**	**3.08**	**0.90**	**4.41**	**2.80**	**6.46**	**4.02**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended December 31

ORIGIN	SAIFI				
	QUARTER		12 MONTH TO DATE		5 YEAR TO DATE # / YEAR
	2008 #	2007 #	2008 #	2007 #	
Loss of Supply (NF Hydro)	0.02	0.59	0.49	0.84	0.53
Transmission	0.24	0.19	0.82	0.76	0.88
Distribution	0.58	0.68	1.53	1.70	1.67
Company Totals	**0.84**	**1.46**	**2.84**	**3.30**	**3.08**

System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended December 31

ORIGIN	SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR TO DATE HRS. / YEAR
	2008 HOURS	2007 HOURS	2008 HOURS	2007 HOURS	
Loss of Supply (NF Hydro)	0.02	0.45	0.13	0.52	0.25
Transmission	0.19	0.35	0.66	0.79	0.84
Distribution	0.69	3.61	2.01	5.15	2.93
Company Totals	**0.90**	**4.41**	**2.80**	**6.46**	**4.02**

System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BREAKDOWN REPORT
Fourth Quarter 2008

AREA	SCHEDULED		UNSCHEDULED		TOTAL	
	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS
St. John's	0.34	0.34	2.01	1.65	2.35	1.99
Avalon	0.53	0.39	1.26	1.43	1.79	1.82
Burin	1.29	1.56	2.55	2.62	3.84	4.18
Bonavista	2.39	2.07	3.94	5.11	6.33	7.18
Gander	1.65	1.53	2.35	3.12	4.00	4.65
Grand Falls	0.98	1.59	1.48	1.66	2.46	3.25
Corner Brook	0.30	0.40	1.67	2.06	1.97	2.46
Stephenville	2.62	1.24	2.01	1.31	4.63	2.55
Company Totals	**0.86**	**0.79**	**1.98**	**2.01**	**2.84**	**2.80**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.

CAPITAL EXPENDITURE PROGRESS REPORT

For the Period Ended December 31, 2008

Introduction

The Capital Expenditure Progress Report summarizes the quarterly and year-to-date capital expenditures of the various capital accounts of the Company and lists any new lease obligations in excess of $5,000 per year.

The report is divided into three sections:

1. The Budget section outlines the annual capital expenditure budget approved by the Public Utilities Board for the current year.

2. The Expenditure section outlines actual capital expenditures for the current quarter and the total actual capital expenditures for the year, and indicates any variance between the annual budget and actual expenditures.

3. The Leasing Arrangement section includes a brief description of the item being leased, the leasing period, and the annual and quarterly leasing costs.

NEWFOUNDLAND POWER INC.
CAPITAL EXPENDITURE PROGRESS REPORT
For the Period Ended December 31, 2008
($000s)

	BUDGET	EXPENDITURE [1]		
	Approved by Order No. P.U. 27(2007), P.U. 3(2008), P.U. 18(2008), P.U. 19(2008) and P.U. 24(2008).	Fourth Quarter	Annual 2008	Variance
Generation Hydro	3,385	1,604	3,619	234
Generation Thermal	100	284	301	201
Substations	7,177	2,044	7,063	(114)
Transmission	4,978	2,007	5,316	338
Distribution	28,566	9,278	35,485	6,919
General Property	977	722	1,073	96
Transportation	2,214	572	2,384	170
Telecommunications	224	177	266	42
Information Systems	3,607	954	3,734	127
Unforeseen Items [2]	1,150	-	400	(750)
General Expenses Capital	2,800	875	2,765	(35)
TOTAL	55,178	18,517	62,406	7,228

Leasing Arrangements Entered Into			
Brief Description	**Period**	**Annual Cost**	**Quarterly Payments**
	There were no lease obligations in excess of $5,000 annually entered into during the fourth quarter of 2008.		

[1] Excludes capital expenditures of approximately $763,000 related to prior years capital projects carried forward into 2008.

[2] Unforeseen Items of $400,000, approved in Order No. P.U. 3(2008), were previously reported under Substations.

NEWFOUNDLAND POWER INC.

INTER-COMPANY TRANSACTIONS REPORT

For the Period Ended December 31, 2008

Introduction

The Inter-Company Transactions Report summarizes transactions between the Company and related corporations on a quarterly and year-to-date basis. The report itemizes the charges by type and distinguishes between regulated and non-regulated charges. The report also documents any contracts, agreements or loans between Newfoundland Power and any related corporation that were signed in the current quarter.

The report is divided into four sections as follows:

1. The first section aggregates charges from all related corporations and presents a summary, by charge type, for the current quarter and the same period last year, as well as comparable annual charges for the previous year.

2. The second section breaks down the charges ***from*** each individual related corporation and presents an itemized quarterly summary for the current year and the same period last year, as well as comparable annual charges for the previous year.

3. The third section breaks down the charges ***to*** each individual related corporation and presents an itemized quarterly summary for the current year and the same period last year, as well as comparable annual charges for the previous year.

4. The fourth section lists any contracts or agreements that were signed between the Company and any related corporation as well as any loans with related corporations. Loan information provided includes the amount of the loan, the date of borrowing and date of repayment, the interest rate, and total interest paid.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Summary of Charges
For The Period Ended December 31, 2008

Charges from Associated Companies

Regulated Charges	Fourth Quarter 2008	Fourth Quarter 2007	Annual 2008	Annual 2007
Listing & Filing Fees	$ -	$ -	$ -	$ 17,748
Trustee & Share Plan Costs	10,000	8,069	34,000	87,322
Hotel/Banquet Facilities	22,084	32,394	52,171	38,797
Miscellaneous	117,378	39,756	177,920	146,177
Sub-total	$ 149,462	$ 80,219	$ 264,091	$ 290,044

Non-Regulated Charges	Fourth Quarter 2008	Fourth Quarter 2007	Annual 2008	Annual 2007
Listing & Filing Fees	$ -	$ 12,111	$ -	$ 37,463
Trustee & Share Plan Costs	-	4,148	-	9,816
Directors' Fees & Travel	(50,000) [1]	57,271	112,000	158,259
Annual & Quarterly Reports	5,000	15,664	96,000	152,249
Hotel/Banquet Facilities	-	-	-	1,356
Staff Charges[2]	52,000	-	120,000	-
Miscellaneous	84,000	18,322	590,057	383,085
Sub-total	$ 91,000	$ 107,516	$ 918,057	$ 742,228
TOTAL	$ 240,462	$ 187,735	$ 1,182,148	$ 1,032,272

Charges to Associated Companies

	Fourth Quarter 2008	Fourth Quarter 2007	Annual 2008	Annual 2007
Printing & Stationery	$ 235	$ 2,092	$ 1,216	$ 5,066
Postage	4,693	5,521	19,907	20,273
Staff Charges[3]	447,609	206,757	1,057,284	894,468
Staff Charges - Insurance	59,557	54,807	229,330	201,731
IS Charges	22,351	22,320	31,192	27,251
Pole Installations	4,804	8,555	19,295	24,911
Miscellaneous[4]	105,000	27,144	154,799	70,197
TOTAL	$ 644,249	$ 327,196	$ 1,513,023	$ 1,243,897

[1] Year-end adjustment to reflect difference in actual Directors' Fees and Travel costs in 2008 versus estimated costs billed in previous quarters

[2] Represents the portion of Fortis' CEO/CFO staffing related charges allocated to Newfoundland Power. All staffing related costs allocated from Fortis Inc. are recorded as non-regulated expenses.

[3] Includes $287,351 in the 4th quarter and $374,046 on an annual basis for 2008 costs related to the Hurricane Relief Effort in Turks and Caicos

[4] Includes $92,242 in the 4th quarter and $97,242 on an annual basis for 2008 costs related to the Hurricane Relief Effort in Turks and Caicos.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended December 31, 2008

	Fourth Quarter 2008			Fourth Quarter 2007		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.						
Listing & Filing Fees	$ -	$ -	$ -	$ -	$ 12,111	$ 12,111
Directors' Fees & Travel	-	(50,000)	(50,000)	-	57,271	57,271
Annual & Quarterly Reports	-	5,000	5,000	-	15,664	15,664
Trustee & Share Plan Costs	10,000	-	10,000	8,069	4,148	12,217
Staff Charges	-	52,000	52,000	-	-	-
Miscellaneous	100,534	84,000	184,534	32,799	17,822	50,621
Total	$ 110,534	$ 91,000	$ 201,534	$ 40,868	$ 107,016	$ 147,884
Fortis Properties Corporation						
Hotel/Banquet Facilities	$ 22,084	$ -	$ 22,084	$ 32,394	$ -	$ 32,394
Miscellaneous	-	-	-	2,324	500	2,824
Total	$ 22,084	$ -	$ 22,084	$ 34,718	$ 500	$ 35,218
Maritime Electric Company, Limited						
Miscellaneous	$ 2,497	$ -	$ 2,497	$ -	$ -	$ -
Total	$ 2,497	$ -	$ 2,497	$ -	$ -	$ -
FortisBC Inc.						
Miscellaneous	$ 14,347	$ -	$ 14,347	$ 4,633	$ -	$ 4,633
Total	$ 14,347	$ -	$ 14,347	$ 4,633	$ -	$ 4,633

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended December 31, 2008

	Annual 2008			Annual 2007		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.						
Listing & Filing Fees	$ -	$ -	$ -	$ 17,748	$ 37,463	$ 55,211
Directors' Fees & Travel	-	112,000	112,000	-	158,259	158,259
Annual & Quarterly Reports	-	96,000	96,000	-	152,249	152,249
Trustee & Share Plan Costs	34,000	-	34,000	87,322	9,816	97,138
Staff Charges	-	120,000	120,000	-	-	-
Miscellaneous	136,725	590,057	726,782	94,261	382,585	476,846
Total	$ 170,725	$ 918,057	$ 1,088,782	$ 199,331	$ 740,372	$ 939,703
Fortis Properties Corporation						
Hotel/Banquet Facilities	$ 52,171	$ -	$ 52,171	$ 38,797	$ 1,356	$ 40,153
Miscellaneous	5,569	-	5,569	32,325	500	32,825
Total	$ 57,740	$ -	$ 57,740	$ 71,122	$ 1,856	$ 72,978
Maritime Electric Company, Limited						
Miscellaneous	$ 2,497	$ -	$ 2,497	$ -	$ -	$ -
Total	$ 2,497	$ -	$ 2,497	$ -	$ -	$ -
FortisOntario Inc.						
Miscellaneous	$ 9,172	$ -	$ 9,172	$ 5,880	$ -	$ 5,880
Total	$ 9,172	$ -	$ 9,172	$ 5,880	$ -	$ 5,880
FortisAlberta Inc.						
Miscellaneous	$ -	$ -	$ -	$ 1,052	$ -	$ 1,052
Total	$ -	$ -	$ -	$ 1,052	$ -	$ 1,052
FortisBC Inc.						
Miscellaneous	23,957	-	23,957	12,659	-	12,659
Total	$ 23,957	$ -	$ 23,957	$ 12,659	$ -	$ 12,659

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended December 31, 2008

	Fourth Quarter 2008	Fourth Quarter 2007	Annual 2008	Annual 2007
Fortis Inc.				
Printing & Stationery	$ -	$ -	$ 135	$ 456
Postage	4,693	5,521	19,907	20,273
Staff Charges[1]	371,000	143,123	785,848	606,758
Staff Charges - Insurance	27,797	40,174	170,167	167,629
IS Charges	277	277	8,971	277
Pole Installations	4,804	8,555	19,295	24,911
Miscellaneous[2]	94,881	3,075	105,461	6,744
Total	$ 503,452	$ 200,725	$ 1,109,784	$ 827,048
Fortis Properties Corporation				
Printing & Stationery	$ 235	$ 2,092	$ 1,081	$ 4,610
Staff Charges	-	174	-	174
Staff Charges - Insurance	14,459	1,575	26,905	10,630
IS Charges	4,432	4,432	4,432	4,432
Miscellaneous	3,561	854	6,301	2,457
Total	$ 22,687	$ 9,127	$ 38,719	$ 22,303
Maritime Electric Company, Limited				
Staff Charges	$ 1,091	$ -	$ 6,036	$ 2,791
Staff Charges - Insurance	3,979	313	5,834	1,490
IS Charges	2,424	2,674	2,424	2,674
Miscellaneous	-	850	1,081	850
Total	$ 7,494	$ 3,837	$ 15,375	$ 7,805
FortisOntario Inc.				
Staff Charges	$ -	$ -	$ -	$ 126
Staff Charges - Insurance	3,358	384	4,638	1,791
IS Charges	2,424	2,424	2,424	2,424
Miscellaneous	-	850	850	850
Total	$ 5,782	$ 3,658	$ 7,912	$ 5,191

[1] Includes $287,351 in the 4th quarter and $374,046 on an annual basis for 2008 costs related to the Hurricane Relief Effort in Turks and Caicos.
[2] Includes $92,242 in the 4th quarter and $97,242 on an annual basis for 2008 costs related to the Hurricane Relief Effort in Turks and Caicos.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended December 31, 2008

	Fourth Quarter 2008	Fourth Quarter 2007	Annual 2008	Annual 2007
Belize Electricity Limited				
Staff Charges	$ -	$ 40,090	$ 23,173	$ 128,888
Staff Charges - Insurance	108	5,298	661	6,410
IS Charges	4,155	4,203	4,240	9,134
Miscellaneous	3,829	15,745	19,564	28,273
Total	$ 8,092	$ 65,336	$ 47,638	$ 172,705
Fortis US Energy Corporation				
Staff Charges - Insurance	$ 2,424	$ -	$ 2,424	$ 939
Total	$ 2,424	$ -	$ 2,424	$ 939
Belize Electric Company Limited				
Staff Charges	$ 15,260	$ 23,370	$ 89,390	$ 35,843
Staff Charges - Insurance	1,296	5,093	1,996	7,215
Total	$ 16,556	$ 28,463	$ 91,386	$ 43,058
CNE Energy Inc.				
Staff Charges - Insurance	$ -	$ -	$ -	$ 107
Total	$ -	$ -	$ -	$ 107
FortisAlberta Inc.				
Staff Charges	$ 60,258	$ -	$ 152,837	$ 38,047
Staff Charges - Insurance	3,168	-	7,361	1,041
IS Charges	329	-	391	-
Miscellaneous	2,729	2,850	18,180	28,103
Total	$ 66,484	$ 2,850	$ 178,769	$ 67,191
FortisBC Inc.				
Staff Charges	$ -	$ -	$ -	$ 81,841
Staff Charges - Insurance	2,968	1,970	9,344	4,479
IS Charges	8,310	8,310	8,310	8,310
Miscellaneous	-	2,920	3,362	2,920
Total	$ 11,278	$ 13,200	$ 21,016	$ 97,550

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Agreements With Associated Companies
For the Period Ended December 31, 2008

No loans or agreements with related companies were entered into during the quarter ending December 31, 2008.

NEWFOUNDLAND POWER INC.

CUSTOMER PROPERTY DAMAGE CLAIMS REPORT

For the Quarter Ending December 31, 2008

Introduction

The Customer Property Damage Claims Report contains an overview of all damage claims activity summarized on a quarterly basis. The information contained in the report is broken down by cause as well as by the operating region where the claims originated.

The report is divided into four sections as follows:

1. The first section indicates the number of claims received during the quarter coupled with claims outstanding from the previous quarter.

2. The second section shows the number of claims for which the Company has accepted responsibility and the amount paid to claimants versus the amount originally claimed.

3. The third section shows the number of claims rejected and the dollar value associated with those claims.

4. The fourth section indicates those claims that remain outstanding at the end of the current quarter and the dollar value associated with such claims.

Overview - Fourth Quarter

The number of damage claims received during the fourth quarter of 2008 has decreased in comparison to the number reported for the same period in 2007. The decrease is found primarily in Eastern Region with reductions in the Improper Workmanship, Equipment Failure and Weather Related categories.

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Cause

For the Quarter Ending December 31, 2008

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	1	-	1	1	$ 1,600	$ 200	-	$ -	-	$ -
Power Interruptions	-	-	-	-	-	-	-	-	-	-
Improper Workmanship	4	4	8	7	39,819	29,004	-	-	1	8,500
Weather Related	-	-	-	-	-	-	-	-	-	-
Equipment Failure	21	3	24	16	19,107	13,060	-	-	8	6,425
Third Party	1	1	2	1	1,600	473	-	-	1	500
Miscellaneous	10	-	10	8	5,519	4,164	-	-	2	3,050
Total	**37**	**8**	**45**	**33**	**$ 67,645**	**$ 46,901**	**-**	**$ -**	**12**	**$ 18,475**

For the Quarter Ending December 31, 2007

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	2	-	2	1	$ 120	$ 120	-	$ -	1	$ 100
Power Interruptions	-	-	-	-	-	-	-	-	-	-
Improper Workmanship	8	-	8	4	3,122	2,177	-	-	4	5,250
Weather Related	5	-	5	3	650	650	-	-	2	4,250
Equipment Failure	28	8	36	30	34,446	25,029	-	-	6	9,675
Third Party	-	-	-	-	-	-	-	-	-	-
Miscellaneous	10	4	14	12	5,748	3,400	-	-	2	14,500
Total	**53**	**12**	**65**	**50**	**$ 44,086**	**$ 31,376**	**-**	**$ -**	**15**	**$ 33,775**

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Region

For the Quarter Ending December 31, 2008

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	21	6	27	21	$ 53,982	$ 35,796	-	$ -	6	$ 15,200
Western Region	16	2	18	12	13,663	11,105	-	-	6	3,275
Total	**37**	**8**	**45**	**33**	**$ 67,645**	**$ 46,901**	**-**	**$ -**	**12**	**$ 18,475**

For the Quarter Ending December 31, 2007

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	33	11	44	32	$ 33,785	$ 21,075	-	$ -	12	$ 31,975
Western Region	20	1	21	18	10,301	10,301	-	-	3	1,800
Total	**53**	**12**	**65**	**50**	**$ 44,086**	**$ 31,376**	**-**	**$ -**	**15**	**$ 33,775**

Definitions of Causes of Damage Claims

1. **System Operations:** Claims arising from system operations. Examples include normal reclosing or switching.

2. **Power Interruptions:** Claims arising from interruption of power supply. Examples include all scheduled or unscheduled interruptions.

3. **Improper Workmanship:** Claims arising from failure of electrical equipment caused by improper workmanship or methods. Examples include improper crimping of connections, insufficient sealing and taping of connections, improper maintenance, inadequate clearance, or improper operation of equipment.

4. **Weather Related:** Claims arising from weather conditions. Examples include wind, rain, ice, lightning, or corrosion caused by weather.

5. **Equipment Failure:** Claims arising from failure of electrical equipment not caused by improper workmanship. Examples include broken neutrals, broken tie wires, transformer failure, insulator failure or broken service wire.

6. **Third Party:** Claims arising from equipment failure caused by acts of third parties. Examples include motor vehicle accidents and vandalism.

7. **Miscellaneous:** All claims not related to electrical service.

NEWFOUNDLAND POWER INC.

CONTRIBUTION IN AID OF CONSTRUCTION
QUARTERLY ACTIVITY REPORT

For the Period Ended December 31, 2008

The table below summarizes Contribution In Aid of Construction (CIAC) activity for the fourth quarter of 2008. The table is divided into three sections. The first section identifies the type of service for which a CIAC has been calculated. Services are categorized as Domestic (located within a Residential Planning Area), Domestic (located outside a Residential Planning Area) or General Service.

The second section indicates the number of CIACs quoted during the quarter as well as the number of CIAC quotes that remained outstanding at the end of the previous quarter. This format facilitates a reconciliation of the total number of CIACs that were active during the quarter.

The third section provides information as to the disposition of the total CIACs quoted. A CIAC is considered Accepted when a customer indicates they wish to proceed with construction of the extension and has agreed to pay any charge that may be applicable. A CIAC is considered Outdated after six months has elapsed and the customer has not indicated their intention to proceed with the extension. A quoted CIAC is Outstanding if it is neither Accepted nor Outdated.

Type of Service	CIACs Quoted	CIACs Outstanding Previous Qtr.	Total CIACs Quoted	CIACs Accepted	CIACs Outdated	Total CIACs Outstanding
Domestic						
- Within Planning Area	21	11	32	17	6	9
- Outside Planning Area	26	49	75	33	13	29
	47	60	107	50	19	38
General Service	9	14	23	9	5	9
Total	56	74	130	59	24	47

The tables on Pages 2 to 4 of the report provide specific information for the 56 CIACs quoted to customers during the period October 1, 2008 to December 31, 2008. Both the CIAC Amount and the Estimated Construction Costs exclude HST.

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Fourth Quarter 2008

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (within Residential Planning Area)						
2008/11/12	Anstey, Jonas	Clarkes Beach	2008-20-202	675.00	2,800.00	Yes
2008/11/27	Benoit, Nicholas	Mainland	2008-51-125	2,700.00	4,825.00	Yes
2008/12/16	Boone, Sheila	Musgravetown	2008-30-122	1,350.00	3,475.00	Yes
2008/12/11	Clarke, Angela	Bay Roberts	2008-20-212	1,425.00	3,550.00	Yes
2008/11/19	Cornect, Martina	Mainland	2008-51-122	1,140.00	3,614.00	Yes
2008/12/19	Diamond, Rodney	Terra Nova	2008-41-105	835.00	2,960.00	Yes
2008/10/09	Dwyer, Grant	Blackhead	2008-20-190	1,825.00	3,950.00	Yes
2008/12/19	Elliott, Barry	Grand Falls-Windsor	2008-40-132	1,018.00	3,143.00	
2008/11/07	English, Greg	Job's Cove	2008-20-194	1,350.00	3,475.00	
2008/11/07	Harnum, Lisa	Islington	2008-20-200	625.00	2,750.00	Yes
2008/12/02	Joyce, Deborah	Freshwater	2008-20-204	11,350.00	13,475.00	
2008/11/26	McDonald, Terry	Portugal Cove	2008-10-151	5,450.00	7,575.00	Yes
2008/12/15	Mercer, Kimberley	North River	2008-20-213	1,600.00	3,725.00	Yes
2008/12/11	Norman, Paul	Bay Roberts	2008-20-211	350.00	2,475.00	Yes
2008/10/01	Pelley, Calvin	Cormack	2008-50-145	350.00	2,475.00	Yes
2008/10/31	Philpott, Lorie	Cottlesville	2008-40-126	2,825.00	4,950.00	
2008/12/10	Radford, Ross	Comfort Cove/Newstead	2008-40-128	8,425.00	10,550.00	
2008/12/02	Rodrigues, Lionel	Whitbourne	2008-20-206	475.00	2,600.00	
2008/10/17	Rose, Derek	Burnside	2008-41-120	450.00	2,575.00	Yes
2008/12/04	Smallwood, Joseph	Roaches Line	2008-20-209	13,071.08	15,196.08	
2008/12/19	Stagg, Brian	Terra Nova	2008-41-122	375.00	2,500.00	
DOMESTIC (outside Residential Planning Area)						
2008/10/14	Antle, Charles	Fox Cove	2008-31-107	575.00	1,200.00	Yes
2008/10/21	Blackwood, John	Mansfield Pond Cottage Area	2008-20-191	4,597.14	5,222.14	
2008/10/29	Boone, Neil	Cottrell's Cove	2008-40-125	475.00	1,100.00	Yes

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Fourth Quarter 2008

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (outside Residential Planning Area)						
2008/11/25	Burt, Carl	Goobies	2008-30-126	8,800.00	10,675.00	Yes
2008/12/02	Chubbs, Reginald	Line Road Cottage Area	2008-20-207	2,426.00	3,051.00	
2008/12/29	Cooper, Gary	Mahers	2008-20-214	19,600.00	20,600.00	Yes
2008/11/06	Crowe, Laurie	Goulds Big Pond Cottage Area	2008-20-197	4,727.96	5,352.96	
2008/12/10	Davis, Ron	Placentia Junction Cottage Area (new)	2008-20-208	22,000.00	29,125.00	
2008/11/13	Drodge, Gordon	Goobies Cottage Area (Old Highway)	2008-30-123	1,722.98	2,347.98	Yes
2008/10/02	Fudge, Wayne	Gould's Big Pond Cottage Area	2008-20-188	4,727.96	5,352.96	
2008/12/16	Glynn, Don	Cape Pond Road Cottage Area	2008-10-136	1,455.01	2,080.01	
2008/11/04	Halfyard / Holloway	Ocean Pond	2008-20-199	1,625.00	2,250.00	Yes
2008/11/12	Hall, Kenneth	Mahers Cottage Area	2008-20-201	2,002.19	2,627.19	
2008/10/27	Hunt, Robert	North Harbour	2008-20-195	275.00	900.00	Yes
2008/11/12	Janes, Wayne	Sandy Point Cottage Area	2008-40-127	6,468.92	7,110.92	Yes
2008/11/21	Lawrence, Donald	Wreckhouse-McDouglas Cottage Area	2008-51-124	1,135.89	1,706.89	
2008/10/21	Ludlow, Neal	Whelan's/Ryan's Pond Cottage Area	2008-20-193	2,862.30	3,487.30	Yes
2008/10/28	Nurse, Barry	Champneys East	2008-30-104	5,285.00	6,410.00	
2008/11/04	Osmond, Kim	Thorburn Lake Cottage Area	2008-30-120	4,331.29	4,956.29	Yes
2008/10/02	Porter, Kathleen	Nine Island Pond Cottage Area	2008-20-189	3,061.48	3,686.48	
2008/12/08	Power, Kelly	Mahers Cottage Area	2008-20-210	2,002.19	2,627.19	
2008/10/31	Rideout, Fraser	Lower Bread & Cheese Cove Cottage Area	2008-40-114	3,522.27	4,147.27	
2008/11/21	Sheaves, Dwayne	Wreckhouse-McDouglas Cottage Area	2008-51-123	1,135.89	1,706.89	Yes
2008/11/21	Vatcher, Glen	Terra Nova	2008-41-121	525.00	1,150.00	Yes
2008/10/21	Walsh, Janice	Salmonier Line	2008-20-192	250.00	875.00	Yes
2008/11/06	White, David	Placentia Junction Cottage Area	2008-20-198	2,877.34	3,502.34	

NEWFOUNDLAND POWER INC.
CIAC QUARTERY ACTIVITY REPORT INC.
FOURTH QUARTER 2008

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
GENERAL SERVICE						
2008/10/02	Alderbrook Acres Inc.	Pasadena (storage building)	2007-50-144	11,000.00	13,125.00	Yes
2008/10/28	Dept. Of National Defense	Hodgewater Line (shooting range)	2008-20-196	31,725.00	33,850.00	
2008/12/02	Dept. Of Transportation and Works	Badger (highway maintenance depot)	2008-40-129	1,750.00	3,875.00	Yes
2008/10/09	Dolomount, Dennis	Robinsons (welding shop)	2008-51-117	107.00	14,567.00	Yes
2008/12/17	EnerCon Builders Inc.	Mount Pearl (water collection facility)	2008-10-170	5,892.50	8,017.50	
2008/11/03	Fowlow Investments Inc.	Corner Brook (RV sales outlet)	2008-50-147	1,850.00	12,550.00	Yes
2008/10/15	Pottle Enterprises Ltd.	Jefferies (credit union building)	2008-51-121	26,190.00	38,045.00	
2008/12/17	Shawn's Muffler and Brake Shop	Conception Bay South (auto repair)	2008-10-166	1,380.00	8,000.00	Yes
2008/10/28	Town of Arnold's Cove	Arnolds Cove (sewage lift station)	2008-30-119	3,950.00	9,950.00	Yes

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
PO Box 8910
St. John's, Newfoundland
A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

April 1, 2009

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, Newfoundland A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies & Gentlemen:

Please find enclosed the original and twelve copies each of:

1) Newfoundland Power Inc.'s Annual Report to the Board for 2008, filed pursuant to section 59(2) of the *Public Utilities Act*;

2) a revised System of Accounts which reflects changes to the annual returns and other changes flowing from Board orders;

3) a blacklined copy of the revised System of Accounts which indicates all changes contained in the revision; and

4) a summary of the changes to the revised System of Accounts.

The annual returns to the Board are set out in the System of Accounts. The annual returns to the Board for 2008 have been revised to reflect a number of changes arising from Order No. P.U. 32 (2007) and, in particular, the Company's adoption of the asset rate base methodology as approved by the Board. A number of annual returns have been renumbered and reformatted to improve the flow and clarity of information. In addition, revisions to reflect Board orders or current operations have been made to the System of Accounts in an effort to keep it current (e.g., Newfoundland Power no longer has any steam generating assets).

A detailed description of the revised annual returns is provided in Newfoundland Power's revised System of Accounts.

Join us in the fight against cancer.

I trust the enclosed are found to be in order, however should you have any questions please contact the undersigned at the direct number noted below.

Yours very truly,

Gerard Hayes
Senior Counsel

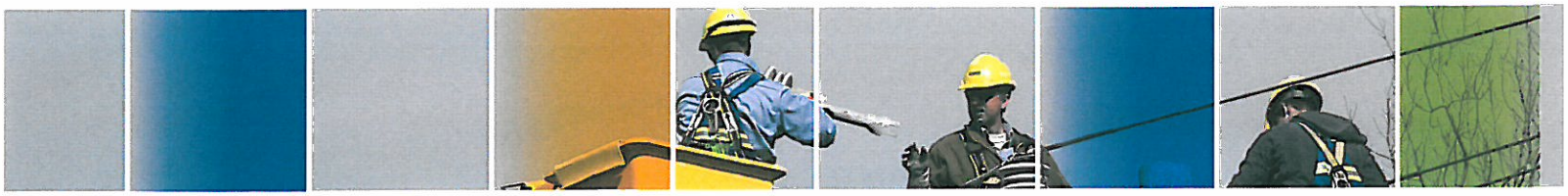
Enclosures

c. Geoff Young
Newfoundland & Labrador Hydro

Connected.

2008 Annual Report

NEWFOUNDLAND POWER
A FORTIS COMPANY



Corporate Profile

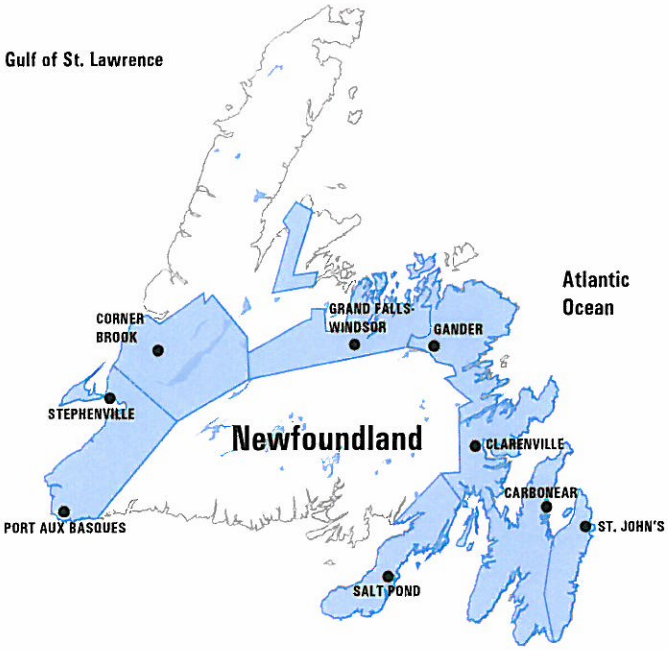
Newfoundland Power Inc. ("Newfoundland Power") operates an integrated generation, transmission and distribution system throughout the island portion of Newfoundland and Labrador.

For over 120 years, we have provided customers with safe, reliable electricity in the most cost-efficient manner possible. Our Company serves approximately 236,000 customers, about 85% of all electricity consumers in the province.

Working together with our employees, we continue to provide our customers with the service they expect and deserve in an environmentally and socially responsible manner.

Our vision is to be a leader among North American electric utilities in terms of safety, reliability, customer service and efficiency.

All the common shares of Newfoundland Power are owned by Fortis Inc. (TSX:FTS), the largest investor-owned distribution utility in Canada, which serves more than 2,000,000 gas and electric customers, and has assets exceeding $10.5 billion.



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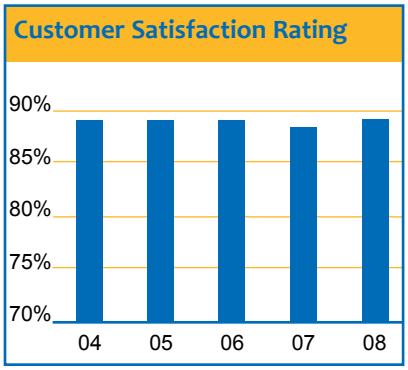
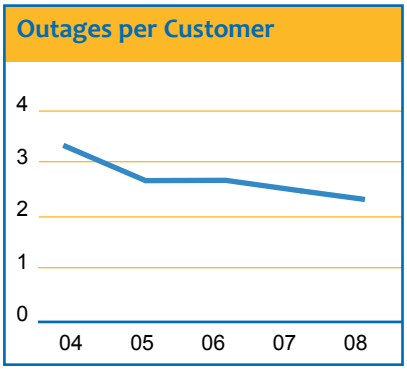
Highlights

Financial	2008	2007
Revenue *($000s)*	516,889	491,709
Property, Plant and Equipment *($000s)*	1,219,066	1,173,642
Long-term Debt *($000s)*	441,088	446,638
Common Shareholders' Equity *($000s)*	373,738	356,671
Earnings Applicable to Common Shares *($000s)*	32,341	29,866
Earnings per Common Share *($)*	3.13	2.89
Operating		
Customers *(#)*	235,778	232,262
Customer Satisfaction Rating *(%)*	89	88
Generating Capacity *(MW)*		
Hydroelectric	96.6	95.9
Diesel	7.0	7.0
Gas Turbine	36.5	36.5
Total	140.1	139.4
Peak Demand *(MW)*	1,181	1,142
Electricity Sales *(GWh)*	5,208	5,093





Report to Shareholders

Our daily operations focus on maintaining strong customer relationships. From electrical safety to the investments we make in our electricity system, our customers are impacted by every facet of what we do. In 2008, we achieved a strong customer satisfaction rating of 89%. This is a direct result of setting objectives to strengthen our **connections** with customers, communities and employees. Throughout the year, we invested in our electricity system; improved our operating performance in the areas of reliability and cost control; and, developed new community and environmental partnerships.

Earnings of $32.3 million in 2008 were $2.4 million higher than our earnings of $29.9 million in 2007. This was largely the result of a higher allowed rate-setting return on equity in 2008 and continued investment in our electricity system. Electricity sales increased by 2.3% to 5,208 gigawatt hours ("GWh") in 2008. And, our number of customers increased 1.5% to approximatley 236,000.

Our ability to hold the line on operating costs is a result of continually improving our business and managing our costs. In fact, we have maintained the same level of operating costs for the past five years.

Throughout 2008, we invested approximately $63 million to upgrade our electricity system and provide service to new customers. We invested $3.4 million to strengthen transmission lines on the Bonavista and southern Avalon Peninsulas; and, $1.5 million working with Newfoundland and Labrador Hydro ("Hydro") and two independent developers, to connect 54 megawatts ("MW") of renewable wind energy to the island's electricity system.

Our dedication to improving the electricity system, coupled with our commitment to provide quality service to our customers, enabled us to reduce the number of outages by 13% compared to 2007, and deliver electricity to our customers 99.97% of the time.

Over the next five years, we anticipate an increase in the number of retirements due to an aging workforce. As a result, we have undertaken initiatives to maximize knowledge and skill transfer between employees. Currently 13% of our line staff are training as apprentice linepersons, and 14% of our engineers are working toward their professional engineering designation.

In 2008, we invested $63 million to upgrade our electricity system and provide service to new customers.

In October, we were extremely saddened when a rare electrical incident claimed the life of a friend and colleague. This has made us even more resolved in our goal to eliminate workplace and public safety incidents.

2008 marked our first full year under the Occupational Health and Safety Assessment Series 18001 Health and Safety Management System ("OHSAS 18001"). Successful compliance with these internationally recognized standards demonstrates our commitment to continual improvement and ensuring the safety of our employees, contractors and the public.

We connected with Newfoundlanders and Labradorians in 2008 by helping them to save money, minimize our impact on the environment and reduce demand on our province's electricity system. We became a member of the provincial Energy Conservation and Efficiency Partnership ("ECEP"), under the provincial Energy Plan, and formed an energy efficiency partnership with Hydro. Together, we completed a Five-year Energy Conservation Plan, aimed at saving an estimated 70 GWh of energy annually by 2013, and launched a new joint energy efficiency brand called takeCHARGE - Saving Energy Starts Here!

Our connections with communities throughout the island are fostered through a shared commitment to our environment. Since 1997, we have initiated more than 300 partnerships with schools and environmental groups as part of our Environmental

Commitment Program. In 2008, we successfully completed initiatives to improve our corporate environmental performance, and educated communities about being green at our 11th annual *EnviroFest* celebrations, held island-wide.

Our years of dedication to maintaining a strong presence in our communities has led to enhanced connections with our customers, government partners and employees. In 2008, we connected with partners, such as Municipalities Newfoundland and Labrador, and the Newfoundland and Labrador Association of Fire Services, and forged new relationships with community-minded organizations like The HUB and the Newfoundland and Labrador Region of the Canadian Red Cross.

Paramount to our core beliefs and values is the safety of our employees, contractors and the public.

Our employees' reputation for giving of themselves to benefit others and better their communities has shaped who we are as a Company. In 2008, Canadian Blood Services honoured our employees' commitment to giving the gift of life with a national Honouring our Lifeblood Award. Since joining the *Partners for Life* program in 2004, we have made over 1,400 donations, helping to save up to 4,200 lives.

Our strong connections with our customers, enabled us to donate approximately $137,000 to our corporate charity, *The Power of Life Project*. Through supporting the Dr. H. Bliss Murphy Cancer Care Foundation and local cancer patients and their families, we are helping to make a difference in the lives of people fighting cancer in our province.

We thank our employees for offering their talents, hard work and commitment throughout the year. Our ability to maintain a sound electricity system, strengthen our operating performance, and connect with our communities is a direct result of their continued dedication to our customers and our Company.

Earl Ludlow, President and Chief Executive Officer, and David Norris, Chair, Board of Directors

In 2008, we welcomed the return of our long time colleague, Mr. Gary Smith, to his new position of Vice President, Engineering and Operations, and wished Mr. Phonse Delaney good luck as Vice President, Operations and Engineering, with FortisAlberta Inc.

Mr. Peter Fenwick and Mr. Bill Daley retired from our Board of Directors after 6 years and 3 years of service, respectively, and we thank them for their invaluable contributions. It was also our pleasure to welcome three new Board members in 2008: Mr. Frank Davis, Corporate Director; Mr. Fred O'Brien, President and Chief Executive Officer, Maritime Electric Company, Limited; and, Mr. Bruce Simmons, President and Chief Executive Officer, Hammond Farm Ltd.

We are honoured to be able to contribute to the growth and prosperity of our great province through building strong connections with our customers, employees and communities.

Sincerely,

David Norris
Chair, Board of Directors

Earl Ludlow
President and Chief Executive Officer

Report on Operations

Safety

Our business involves delivering a commodity that can be very dangerous. For many of our employees, even routine activities performed on a daily basis can be extremely hazardous. Above all else, safety is our priority.

In 2008, tragedy struck when we lost a talented, young employee from our Clarenville office. On October 22, a line crew was dispatched to repair a string of insulators on a transmission line on the Bonavista Peninsula. Shortly after arriving at the site, a rare incident caused by a failure of the insulators claimed the life of our friend and colleague. This tragedy hit close to home for everyone in the Company, and sent waves of sadness throughout the island and the entire industry. This unforeseen tragedy has brought us closer and made us even more resolved in our goal to eliminate workplace and public safety incidents.

2008 was our first full year under the internationally recognized OHSAS 18001. This system improved our ability to capture and track information related to safe work practices and hazard recognition, and enhanced the way we manage safety.

Two successful external audits of our safety management system verified our compliance with legislative requirements and OHSAS 18001. The Workplace Health, Safety and Compensation Commission also conducted audits that provided further external validation of the effectiveness of our employee safety programs and performance.

In the third quarter, we enhanced a number of our critical worker protection systems by delivering comprehensive programs dealing with high voltage safety, including: hazard assessment through risk management/job planning; high voltage electricity system switching; and, safe work around de-energized equipment.

About half of our safety incidents in 2008 involved meter reading. In the fall, we began a complete review of meter reading practices, training and equipment in order to improve safety performance in this area.

To enhance the safety of our employees working around low voltage equipment, we implemented improved standards surrounding the installation and removal of

2008 was our first full year under the internationally recognized OHSAS 18001.

electrical meters, expanded our flame resistant clothing program, and enhanced our safety procedures and guidelines.

In 2008, we put our Hearing Conservation Program into action. This involved training our employees to identify the hazards associated with high noise exposures and the controls required when working in such environments.

Contractor safety education, awareness and training was also a key focus in 2008. The launch of our new contractor website provides easy online access to our safety training requirements, practices and policies. We also opened more direct lines of communication with our contractors, assigned clearer responsibilities for managing contractor relationships and put feedback mechanisms in place.

Throughout the year, we continued our safety education and training partnership with the Newfoundland and Labrador Association of Fire Services. We donated our third vehicle to the *Learn Not to Burn* program, which delivers messaging about the dangers of fire and electrical safety hazards to elementary school students across the province. And, with the help of our retirees, we delivered children's electrical safety demonstrations through our Hazard Hamlet program to over 2,600 students in 53 schools throughout the province.

In 2008, we delivered electricity to our customers 99.97% of the time.

In 2008, we conducted electrical safety training for approximately 190 firefighters throughout the island, and, at the request of the Royal Newfoundland Regiment, trained several of their members in preparation for their power restoration efforts in Afghanistan.

We are committed to arming our employees, contractors and the public with the knowledge they need to make safety conscious decisions when it comes to electricity. We put safety first every day.

Reliability

Our ability to provide safe, reliable electricity to our customers at least cost is largely dependent upon the quality and condition of our electricity system. Our approach to reliability management consists of three aspects: capital investment; maintenance; and, operational deployment. In 2008, we reduced the number of customer outages by 13% compared to 2007, and delivered electricity to our customers 99.97% of the time.

Our 2008 capital investment of approximately $63 million focused on continuing to upgrade and strengthen our electricity system, and provide service to new customers. We upgraded transmission lines on the Bonavista Peninsula and southern shore of the

Avalon Peninsula, at a total cost of $3.4 million, and refurbished several of our substations across the island at a total cost of $2.4 million.

We implemented several initiatives in 2008 to improve operations and reduce operating costs, such as: helping to prevent outages by optimizing the performance of 43 distribution feeders in high growth areas; and, improving distribution system inspections through the use of handheld computers to streamline workflow for maintenance planners.

In 2008, we achieved a strong customer satisfaction rating of 89%.

In 2009, we plan to continue to invest in the electricity system with a capital budget of approximately $62 million. This investment will allow us to continue to offer reliable service and meet the growing needs of our customers.

The investments we make in our electricity system today help us to keep our customers connected tomorrow.

Customer Service

In 2008, we achieved a strong 89% customer satisfaction rating. This is particularly significant given the pressures placed on our customers as a result of rising energy prices.

Because we know that a timely response to customer inquiries leads to increased customer satisfaction, we implemented new initiatives to help us serve our customers more efficiently. We made changes to bring our customer communications technology in line with best practices followed by top-rated utility Contact Centres in North America, and successfully answered customer inquiries on the first call 88% of the time.

Our daily operations focus on maintaining strong customer connections.

Technology continues to play an increasing role in customer service delivery. More of our customers are choosing to do business with us electronically. We had approximately 470,000 visits to our corporate website in 2008, up 20% over 2007.

We focused on improving many of our online offerings, such as: simplifying access to customer accounts; increasing the availability of customer information to 24 months; and, providing our customers with the ability to view multiple accounts with a single login.

The improvements we made to our electronic billing system, or *eBills*, allowed for a more timely and efficient response to customer requests. Ongoing promotion of *eBills* resulted in a 24% increase in 2008 participation levels compared to 2007. We have a high customer participation rate in electronic billing compared to other North American utilities.

Throughout 2008, we continued to install meters that can be read remotely where meter accessibility has been a recurring issue. These meters eliminate energy usage estimates for our customers and improve safety for our meter readers. We now have more than 12,000 of these meters in use across our service territory.

We take great pride in connecting with our customers through providing service excellence.

Energy Efficiency

While volatile energy prices and a growing awareness of the environment are causing energy efficiency to rise to the top of a larger number of priority lists, we have been promoting the benefits of using energy wisely to our customers for many years.

In 2008, we strengthened our commitment to helping our customers save energy, save money and protect our environment. We became an active partner in the provincial ECEP to coordinate and assist with provincial energy conservation and efficiency initiatives. We further demonstrated our commitment to energy efficiency by partnering with Hydro to achieve a common goal - to use our collective resources and experience to provide our customers with the information, tools and programs they need to be energy efficient.

Together we completed a Five-year Energy Conservation Plan aimed at saving an estimated 70 GWh of energy annually by 2013. This plan is scheduled to begin in 2009.

In the fourth quarter, we launched the customer side of our energy efficiency partnership with a new brand, called takeCHARGE - Saving Energy Starts Here! together with an interative customer-focused website, takechargenl.ca. Over 5,200 customers visited our new takeCHARGE website in the less than two months since its launch.

We are committed to leading the charge on energy efficiency.

We have initiated more than 300 environmental partnerships with local community groups and schools across the island.

Environment

We take our commitment to minimizing our impact on the environment very seriously. In 2008, we successfully completed a number of initiatives to reduce environmental risks and improve our environmental performance.

We completed equipment upgrades at three of our hydroelectric generating plants to improve management of our water resources; and, continued with our multi-year PCB Phase-out Program for the removal and disposal of PCB oil-filled electrical equipment. Approximately 75% of our feeders and 85% of our substations have been completed under this program.

In 2008, an external third party conducted an environmental compliance audit of our operations which confirmed that we continue to meet all environmental legislative requirements. An additional third party audit of our Environmental Management System ensured we continue to comply with the ISO 14001 international standard. This audit also concluded that our facilities are well maintained and our employees continue to demonstrate a commitment to ensuring we operate in an environmentally responsible manner.

We have initiated more than 300 environmental partnerships with local community groups and schools across the island as part of our Environmental Commitment Program.

In 2008, we celebrated our 11th annual employee-driven celebration of the environment. *EnviroFest* brings local, environmentally-friendly community partners together to educate Newfoundlanders and Labradorians about the importance of our environment and topics such as climate change, energy efficiency and environmental stewardship.

We remain strong in our pursuit to protect and improve our environment as we contribute to a greener future.

Employees

Our employees are among the best in the business, and they take great pride in providing our customers with the dependable service they rely on every day. In 2008, we continued to support our employees through ongoing leadership, safety and environmental training, and personal and career development initiatives.

Our employees have been instrumental in helping to build and maintain our strong reputation for customer service excellence.

Our employees have been instrumental in helping to build and maintain our strong reputation for customer service excellence. Ensuring that we recognize our employees for their contributions is critical to our success. Feedback from an employee survey evaluating our employee recognition program revealed that it needed to change. We listened, and as a result, improved how we recognize service milestones.

As the pressures of an aging workforce continue, our focus on recruitment, retention and transfer of skills remains high on our list of priorities. In 2008, we completed many workforce management initiatives, such as participating in a variety of career fairs at post-secondary institutions and high schools, and continued our support of cooperative education and trade apprenticeship programs.

Our employees helped restore power to the Turks and Caicos Islands.

In September, our sister company, Fortis Turks and Caicos, was impacted when the Turks and Caicos Islands were struck by two Hurricanes, Hanna and Ike, within one week. The hurricanes caused extensive damage and power outages. We coordinated the Fortis response, which was comprised of 61 employees including linepersons, supervisors, technical support staff, along with line vehicles and equipment. The restoration involved two teams, each deployed for three weeks. Working together with Belize Electricity, Caribbean Utilities, FortisAlberta, FortisBC, FortisOntario and Maritime Electric we successfully assisted Fortis Turks and Caicos in restoring power to all customers on the islands.

We value the many contributions our employees have made in helping us build a strong foundation for continued success.

Community

As a community-minded company, we are dedicated to supporting our local economy. We connected with our customers in 2008 by continuing our long-time relationships and forging new bonds with additional community partners.

Our commitment to giving the gift of life was honoured with a national award at the 9th annual Canadian Blood Services Honouring our Lifeblood event. We were

recognized for the dedication of our employees to Canada's blood system and our commitment as a corporate *Partner for Life*. Since joining the *Partners for Life* program in 2004, our employees and their families have made over 1,400 donations, helping to save up to 4,200 lives. In 2008, we once again exceeded our corporate pledge of 300 donations, remaining one of the highest of any corporate partner in Atlantic Canada.

Since joining the *Partners for Life* program, our employees have made over 1,400 donations, helping to save up to 4,200 lives.

Our employees and customers continued to support cancer care in our province throughout 2008 by donating approximately $137,000 to our corporate charity, *The Power of Life Project*. Together with customer and employee donations, and the funds raised at employee-driven events, we have helped to secure the purchase of a new four dimensional CT Simulator for the Dr. H. Bliss Murphy Cancer Care Foundation to enhance the accuracy of radiation treatment planning.

Our Electrical Maintenance Team did their part to brighten the lives of cancer patients and their families by bringing light back to the Dr. H. Bliss Murphy Cancer Care Foundation's Garden of Hope, located just outside the cancer clinic in St. John's. Our Electrical Maintenance Team donated their time and skills to restore the garden to a place of tranquility for patients battling cancer, after the lights and wiring system were completely destroyed by vandals.

In 2008, we formed a new partnership with the Canadian Red Cross and the provincial government's Fire and Emergency Services to launch *Ready.Kit.GO!* This partnership is aimed at educating the people of Newfoundland and Labrador about the importance of being prepared, and how to respond appropriately during an emergency situation.

We demonstrated our commitment to sports in our province as a major sponsor of the 2008 Newfoundland and Labrador Summer Games. Always an active

Our Electrical Maintenance Team volunteered their time to restore light to the Garden of Hope.

supporter, we ensured the games ran smoothly by providing all athletes, coaches and volunteers with identification pouches, and reliable transportation throughout the games.

We maximized a unique opportunity when we assisted The HUB in continuing to provide gainful employment to persons with disabilities. By donating two printing presses that were no longer required by the Company, we helped The HUB remain strong in its printing operations, one of the organization's main sources of revenue.

In 2008, we partnered with Municipalities Newfoundland and Labrador, and demonstrated our support at their annual conference. As sponsor of the opening ceremonies and host of a workshop on managing energy more efficiently we connected with municipalities by educating them on how to save energy and money.

Our employees pride themselves in maintaining strong connections to the places they call home.

Management Discussion and Analysis

This Management Discussion and Analysis dated February 5, 2009, should be read in conjunction with Newfoundland Power Inc.'s (the "Company" or "Newfoundland Power") annual financial statements and notes thereto for the year ended December 31, 2008. Financial information herein reflects Canadian dollars and Canadian generally accepted accounting principles ("Canadian GAAP"), including certain accounting practices unique to rate-regulated entities. These accounting practices, which are disclosed in Notes 2 and 4 to the Company's 2008 annual financial statements, result in the recognition of revenues, expenses, regulatory assets and regulatory liabilities which would not occur in the absence of rate regulation and which affect the Company's reported earnings, cash flows and financial position.

Certain information herein is forward-looking and reflects management's current expectations regarding the Company's future financial and related performance. 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 indentify forward-looking information, although not all forward-looking information contains these identifying words. The forward-looking information reflects management's current beliefs and is based on information currently available to the Company's management. Certain material factors, estimates and assumptions, which are subject to inherent risks and uncertainties surrounding future expectations generally, have been applied in drawing the conclusions contained in the forward-looking statements. These are related to, but are not limited to: regulation; energy supply; competition; general economic conditions; health, safety and the environment; interest rates; insurance; weather; labour relations; licences and permits; capital resources; and, liquidity. Readers are cautioned to not place undue reliance on forward-looking statements because actual results could differ materially from the results discussed or implied in those statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Additional information, including the Company's quarterly and annual financial statements, annual information form and management information circular, is available on SEDAR at www.sedar.com.

OVERVIEW

The Company

Newfoundland Power is a regulated electricity utility that owns and operates an integrated generation, transmission and distribution system throughout the island portion of the Province of Newfoundland and Labrador. All the Company's common shares are owned by Fortis Inc. ("Fortis"), which is principally a diversified, international holding company for electricity and gas distribution utilities.

Newfoundland Power's primary business is electricity distribution. It generates approximately 8% of its electricity needs and purchases the remainder from Newfoundland and Labrador Hydro ("Hydro"). Newfoundland Power serves approximately 236,000 customers comprising about 85% of all electricity consumers in the Province.

Newfoundland Power's vision is to be a leader among North American electricity utilities in terms of safety, reliability, customer service and efficiency. The Company's strategy is to operate sound electricity distribution systems, and to focus on the safe and reliable delivery of electricity service to its customers in the most cost-efficient manner possible. Newfoundland

Power and its employees are committed to providing customers with the service they expect in an environmentally and socially responsible manner.

Regulation

Newfoundland Power is regulated by the Newfoundland and Labrador Board of Commissioners of Public Utilities (the "PUB"). The Company operates under cost of service regulation whereby it is entitled the opportunity to recover, through customer rates, all reasonable and prudent costs incurred in providing electricity service to its customers, including a just and reasonable return on its rate base. The rate base is the net assets required to provide electricity service.

Between general rate hearings, customer rates are established annually through an automatic adjustment formula (the "Formula"). The Formula sets an appropriate rate of return on common equity ("ROE") which is used to determine the rate of return on rate base. The ROE is based upon the change in the forecast cost of common equity resulting from changes in long-term Canada bond yields.

Pursuant to its 2008 General Rate Application ("2008 GRA"), the Company's rate of return on rate base for ratemaking purposes was set at 8.37%, with a range of 8.19% to 8.55%, for 2008. This reflects a regulated ROE of 8.95% for 2008 compared to 8.60% for 2007. As a result of the 2008 GRA, customer rates increased by an average of approximately 2.8% effective January 1, 2008. The 2008 GRA also provided for the amortization of certain regulatory assets and liabilities, and the prospective recognition of future income taxes associated with pension costs.

Financial Highlights

	2008	2007	Change
Electricity Sales (gigawatt hours ("GWh"))	5,208.2	5,092.8	115.4
Earnings Applicable to Common Shares			
$ Millions	32.3	29.9	2.4
$ Per Share	3.13	2.89	0.24
ROE (%)[1]	8.86	8.62	0.24
Cash Flow from Operating Activites ($millions)	85.0	49.3	35.7
Total Assets ($millions)	1,001.9	985.9	16.0

[1] *Earnings applicable to common shares, divided by the average of common shareholder's equity at the beginning and end of the year. This ratio is a non-GAAP financial measure, does not have any standardized meaning prescribed by GAAP, and is unlikely to be comparable to similar ratios published by other companies. It is presented because it is commonly referred to by the users of the Company's financial statements in evaluating the results of operations and by the Company's regulator in the rate-setting process.*

Electricity sales for the year ended December 31, 2008 increased by 115.4 GWh or 2.3% compared to 2007. The increase in electricity sales is comprised of an increase of (i) 1.4% due to customer growth, (ii) 0.6% due to higher average consumption, and (iii) 0.3% due to an additional day of sales in February 2008 (leap year).

Earnings for the year ended December 31, 2008 increased $2.4 million from $29.9 million in 2007 to $32.3 million in 2008. The increase was primarily the result of the 2.8% increase in customer rates which was effective January 1, 2008. Approximately $0.6 million of the $2.4 million increase in earnings resulted from operational performance during the course of 2008 which varied from the forecasts used to establish customer rates. The primary variances were: (i) lower debt costs; (ii) lower operating and pension costs; (iii) higher amortization related to higher than forecast capital expenditure; and, (iv) lower contribution from sales than that forecasted in customer rates, purchased power expense changes due to higher water inflows associated with the Company's hydroelectric generating facilities and demand management incentives.

As a result of the Company's 2008 GRA, the ROE reflected in customer rates was 8.95% for 2008 compared to 8.60% for 2007. The actual ROE in both 2008 and 2007 is broadly consistent with that reflected in customer rates.

The increase in cash flow from operating activities primarily reflects the January 1, 2008 customer rate increase, timing differences related to income tax instalments and collection of receivables, and a reduction in pension funding in 2008.

The increase in total assets was due primarily to continued investment in the electricity system and is consistent with the Company's strategy to provide safe and reliable electricity service at the lowest reasonable cost.

RESULTS OF OPERATIONS

Revenue:

($millions)	2008	2007	Change
Revenue from Rates	496.4	477.1	19.3
Amortization of Regulatory Liability	8.6	2.7	5.9
Other Revenue[2]	11.9	11.9	-
Total	516.9	491.7	25.2

[2] *Other revenue is composed primarily of pole attachment charges to various telecommunication companies.*

Revenue increased by approximately $25.2 million, from $491.7 million in 2007 to $516.9 million in 2008. The increase primarily resulted from the January 1, 2008 rate increase and electricity sales growth.

The amortization of regulatory liabilities related to unbilled revenue and municipal tax is in accordance with PUB orders. These regulatory liabilities are described in Note 4 to the Company's 2008 annual audited financial statements.

Purchased Power: Purchased power expense increased by approximately $9.9 million, from $326.8 million in 2007 to $336.7 million in 2008. The increase was primarily due to electricity sales growth.

Operating Expense: Operating expense decreased by approximately $0.4 million from $47.5 million in 2007 to $47.1 million in 2008. The decrease was due primarily to timing of recognition of PUB assessments for 2008, lower insurance premiums and lower equipment maintenance costs, partially offset by wage and inflationary increases.

Pension and Early Retirement Program Costs: Pension and early retirement program costs decreased by approximately $2.7 million, or 47.4%, from $5.7 million in 2007 to $3.0 million in 2008. The decrease resulted from amortization of higher returns on pension plan assets experienced in the previous year, and a higher discount rate determined at December 31, 2007, associated with the Company's accrued benefit obligation. The discount rate is prescribed by GAAP and reflects market conditions.

Amortization: Amortization of capital assets increased by approximately $0.6 million, or 1.5%, from $40.0 million in 2007 to $40.6 million in 2008. Capital expenditures were $67.3 million in 2008. Higher amortization associated with these expenditures was partially offset by the decline in the composite amortization rate from 3.5% in 2007 to 3.4% in 2008, in accordance with PUB orders.

Amortization True-Up Deferral: Amortization of capital assets is subject to periodic review by external experts via an amortization study. The PUB ordered the deferred recovery of approximately $5.8 million in each of 2006 and 2007, $11.6 million in aggregate, related to a variance in accumulated amortization identified in the 2002 amortization study. These deferrals were recorded as an increase in regulatory assets and a decrease in expenses of $5.8 million in each year. Amortization of $3.9 million was recorded in 2008 in accordance with the PUB order that the resultant regulatory asset of approximately $11.6 million be amortized evenly over 2008 through 2010.

Finance Charges: Finance charges decreased by approximately $1.4 million, or 4.0%, from $34.9 million in 2007 to $33.5 million in 2008. This decrease primarily reflects the August 2007 refinancing of $31.5 million 11.875%, Series AC first mortgage sinking fund bonds with 5.901%, 30-year Series AL first mortgage sinking fund bonds.

Income Taxes: Income tax expense increased by approximately $6.9 million, from $12.2 million in 2007 to $19.1 million in 2008. This increase reflects higher pre-tax earnings and an increase in the Company's effective income tax rate. The increase in the effective income tax rate reflects a reduction in tax deductible pension funding and PUB ordered amortization and cost recovery deferrals, partially offset by the amortization of the 2005 unbilled revenue and higher capital cost allowance.

FINANCIAL POSITION

Explanations of the primary causes of significant changes in the Company's balance sheets between December 31, 2007 and December 31, 2008 follow.

($millions)	Increase (Decrease)	Explanation
Accounts Receivable	(7.3)	Lower electricity consumption in December primarily due to warmer weather and timing differences relating to the operation of the Company's equal payment plan, along with lower non-electric receivables resulting from timing of pension payments and customer payments for service.
Total Regulatory Assets	(3.5)	Decrease in Weather Normalization Account due to its normal operation; amortization of regulatory deferrals in accordance with PUB orders; and reduction in estimate for deferred GRA costs to reflect actual costs; partially offset by an increase in rate stabilization account due to its normal operation, and an increase in other post-employment benefits asset, representing costs incurred but not expensed under the cash method of accounting.
Capital Assets	24.2	Investment in electricity system, in accordance with 2008 capital program, offset partially by amortization and customer contributions in aid of construction.
Deferred Charges	4.6	Increase mainly due to pension funding in excess of pension expense.
Accounts Payable and Accrued Charges	(3.1)	Decrease primarily a result of timing of payment of trade payables and decreased purchased power costs due to warmer weather in December.
Total Regulatory Liabilities	(8.4)	Decrease primarily due to reduction in unbilled revenue liability and municipal tax liability due to PUB approved amortization.
Income Tax Payable/Receivable (net)	9.4	Current income tax expense in excess of income tax instalments paid. Lower instalments were required in 2008 based upon 2007 income taxes payable.

($millions)	Increase (Decrease)	Explanation
Other Liabilities	6.9	Increase in liability for other post-employment benefits.
Long-term Debt, including Current Portion	(5.4)	Decrease primarily relates to timing of operating cash flows and annual sinking fund payments on long-term debt.
Retained Earnings	17.1	Earnings in excess of dividends paid, retained to finance rate base growth.

LIQUIDITY AND CAPITAL RESOURCES

The primary sources of liquidity and capital resources are net funds generated from operations, debt capital markets and bank credit facilities. These sources are used primarily to satisfy capital expenditures, service and repay debt, and pay dividends. A summary of cash flows and cash position for 2008 and 2007 follows.

($millions)	2008	2007	Change
Cash (Bank Indebtedness), Beginning of Year	1.1	(0.4)	1.5
Operating Activities	85.0	49.3	35.7
Investing Activities			
Net Capital Expenditures	(67.3)	(72.2)	4.9
Other	3.2	2.5	0.7
	(64.1)	(69.7)	5.6
Financing Activities			
Bond Issued	-	70.0	(70.0)
Bond Retired	-	(31.5)	31.5
Bond Sinking Fund Payments	(4.6)	(5.0)	0.4
Net Credit Facility Borrowings	(1.0)	(1.7)	0.7
Dividends on Common Shares	(15.3)	(9.1)	(6.2)
Other	(0.5)	(0.8)	0.3
	(21.4)	21.9	(43.3)
Cash, End of Year	0.6	1.1	(0.5)

Operating Activities

Cash flow from operating activities totalled $85.0 million in 2008 compared to $49.3 million in 2007. The $35.7 million increase in cash flow from operating activities reflects (i) the January 1, 2008 rate increase, (ii) timing differences related to income tax instalments, (iii) timing differences related to electricity and other receivables, (iv) collections under the Company's equal payment plan for its electricity customers, (v) reduction of pension funding in 2008, and (vi) electricity sales growth.

Investing Activities

Cash flow used in investing activities totalled $64.1 million in 2008 compared to $69.7 million in 2007. The $5.6 million decrease was due primarily to lower capital expenditures in 2008 compared to 2007. Higher capital expenditures in 2007 related to the Rattling Brook hydroelectric plant refurbishment project.

A summary of 2008 and 2007 capital expenditures follows.

($millions)	2008	2007
Electricity System		
Generation	4.1	18.1
Transmission	5.3	4.4
Substations	7.5	5.1
Distribution	35.5	30.4
Other	14.9	14.2
Total Capital Expenditures - Net of Salvage	67.3	72.2

The Company's business is capital intensive. Capital investment is required to ensure continued and enhanced performance, reliability and safety of the electricity system, and to meet customer growth. Capital investment also arises for information technology systems and for general facilities, equipment and vehicles. Capital expenditures, and capital asset repairs and maintenance expense, can vary from year-to-year depending upon both planned system expenditures and unplanned expenditures arising from weather or other unforeseen events.

The Company's annual capital plan requires prior PUB approval. Variances between actual and planned expenditures are generally subject to PUB review prior to inclusion in the Company's rate base.

The Company's PUB approved 2009 capital plan provides for capital expenditures of approximately $61.6 million, approximately half of which relate to construction and capital maintenance of the electricity distribution system.

Financing Activities

Cash flow used in financing activities totalled $21.4 million in 2008 compared to cash from financing activities of $21.9 million in 2007. The $43.3 million decrease in cash from financing activities in 2008 primarily related to higher operating cash flows and lower capital expenditures which reduced borrowing requirements in 2008. This was partially offset by higher common share dividends in 2008. Cash from financing activities in the previous year primarily related to the issuance of $70 million first mortgage sinking fund bonds which were partially used to repay $31.5 million in maturing first mortgage sinking fund bonds.

The Company has historically generated sufficient annual cash flows from operating activities to service annual interest and sinking fund payments on debt, to pay dividends and to finance a major portion of its annual capital program. Additional financing to fully fund the annual capital program is obtained through the Company's bank credit facilities and these borrowings are periodically refinanced along with any maturing bonds through the issuance of long-term first mortgage sinking fund bonds. The Company currently does not expect any material changes in these basic cash flow and financing dynamics over the foreseeable future.

Pensions: As at December 31, 2008, the fair value of the Company's primary defined benefit pension plan assets was $212.6 million compared to fair value of plan assets of $259.7 million as at December 31, 2007. Details of the changes are included in Note 16 to the Company's 2008 annual audited financial statements. The decrease in the fair value of pension plan assets during 2008 was mainly driven by unfavourable market conditions in 2008.

The decline in pension plan assets is expected to increase the Company's future special pension funding obligations, commencing in 2009. The amount of the increase will not be determinable until completion of the next actuarial valuation. Based on the last actuarial valuation as of December 31, 2005, pension funding obligations concluded in March 2008.

The next scheduled actuarial valuation is as at December 31, 2008 and this valuation is expected to be completed in the first quarter of 2009.

The Company does not expect any difficulty in its ability to meet future pension funding requirements as it expects the amounts will be financed from a combination of cash generated from operations and amounts available for borrowing under existing credit facilities.

Debt: The Company's credit facilities are comprised of a $100 million committed revolving term credit facility and a $20 million uncommitted demand facility. Details follow.

($millions)	2008	2007
Total Credit Facilities	120.0	120.0
Long-term Borrowings Outstanding	(32.0)	(33.0)
Credit Facilities Available	88.0	87.0

During the third quarter of 2008, the $100 million committed revolving facility was renegotiated on similar terms as the previous facility and matures in August 2011. Subject to lenders' approval, two years prior to maturity the Company may request an extension for a further period of 364 days, or alternatively, one year prior to maturity the Company may request an extension for a further period of up to one year and 364 days.

Contractual Obligations: Details, as at December 31, 2008, of all contractual obligations over the subsequent five years and thereafter, follow.

($millions)	Total	2009	2010-2011	2012-2013	2014 Onward
Credit Facilities (unsecured)	32.0	-	32.0	-	-
First Mortgage Sinking Fund Bonds[3]	409.1	4.6	9.1	9.1	386.3
Total	441.1	4.6	41.1	9.1	386.3

[3] *First mortgage sinking fund bonds are secured by a first fixed and specific charge on capital assets owned or to be acquired by the Company and carry customary covenants.*

Credit Ratings and Capital Structure: To ensure continued access to capital at reasonable cost, the Company endeavours to maintain its investment grade credit ratings. During 2008, the Company's investment grade bond ratings were reaffirmed, and currently are: Dominion Bond Rating Service, "A" and Moody's, "Baa1"; both with a "stable" rating outlook.

Newfoundland Power endeavours to maintain a capital structure composed of 55% debt and 45% equity. This capital structure is reflected in customer rates and is consistent with the Company's current investment grade credit ratings. The Company's capital structure at December 31, 2008 and 2007 follows.

	2008		2007	
	$millions	%	$millions	%
Total Debt[4]	437.5	53.3	442.5	54.7
Common Equity	373.7	45.5	356.7	44.1
Preferred Equity	9.4	1.2	9.4	1.2
Total	820.6	100.0	808.6	100.0

[4] *Includes bank indebtedness, if applicable, net of cash.*

The Company currently expects it will be able to maintain its current investment grade credit ratings in 2009.

Share Capital and Dividends: For the year ended 2008 and 2007, the weighted average number of common shares outstanding was 10,320,270. There were no changes to the number of common and preferred shares outstanding during 2008.

Dividends on common shares, for 2008, compared to 2007, were $6.2 million higher. In 2008, common quarterly dividends increased to $0.37 per share compared to $0.22 per share in 2007. The increase in common share dividends was to maintain a capital structure that includes approximately 45% common equity.

RELATED PARTY TRANSACTIONS

The Company provides services to, and receives services from, its parent company, Fortis and other subsidiaries of Fortis. The Company also incurs charges from Fortis for the recovery of general corporate expenses incurred by Fortis. These transactions are in the normal course of business and are recorded at their exchange amounts.

Related party transactions included in revenue, operating expenses and finance charges and included in accounts receivable as at December 31, 2008 and 2007 follow.

($millions)	2008	2007
Revenue[5]	4.2	4.1
Operating Expenses	1.5	0.9
Finance Charges	0.3	-
Accounts Receivable	0.2	0.1

[5] *Includes charges for electricity consumed.*

In May, 2008, the Company borrowed $32.5 million from Fortis as a short-term demand loan at an interest rate of 3.15%, which was indicative of Bankers' Acceptance rates at the time. This amount was fully repaid in the third quarter of 2008.

BUSINESS RISK MANAGEMENT

Regulation: The Company is subject to normal uncertainties facing entities that operate under cost of service regulation. It is dependent on PUB approval of customer rates that permit a reasonable opportunity to recover on a timely basis the estimated costs of providing electricity service, including a fair and reasonable return on rate base. The ability to recover the actual costs of providing service and to earn the approved rates of return depends on achieving the forecasts established in the rate-setting process. Between general rate applications, the setting of customer rates through the Formula can cause earnings and cash flows to increase or decrease due to corresponding changes in bond yields which are beyond the Company's control.

Economic Conditions: Economic conditions primarily impact the performance of the Company's defined benefit pension plan, cost of capital and electricity sales. The impact on pensions and cost of capital are discussed below. Electricity sales are influenced by economic factors in the Company's service territory such as changes in employment levels, personal disposable income, energy prices and housing starts. Out-migration in rural areas, as well as declining birth rates and increasing death rates associated with an aging population also affect sales. Modest sales growth is currently expected for 2009; however, economic conditions may impact actual future sales.

Pension: The Company's defined benefit pension plan is impacted by economic conditions as it relates to the Company's future pension funding requirements, as discussed in the "Liquidity and Capital Resources" section of this Management Discussion and Analysis. Future pension obligations and related pension expense may also be impacted by economic conditions. The defined benefit pension plan is subject to judgments utilized in the actuarial determination of the pension obligation and the related pension expense. The primary assumptions utilized by management are the expected long-term rate of return on pension plan assets and the discount rate used to value the accrued benefit obligation. A discussion of the critical accounting estimates associated with pensions is provided in the "Critical Accounting Estimates" section of this Management Discussion and Analysis.

There is no assurance that the pension plan assets will earn the expected long-term rate of return in the future. Market driven changes impacting the performance of the pension plan assets may result in material variations in actual return on pension plan assets from the expected long-term return on the assets. This may cause material changes in future pension liabilities and pension expense. Market driven changes impacting the discount rate may also result in material variations in future pension liabilities and pension expense. In 2008, the Company experienced material changes in the actual return on pension plan assets and the discount rate. Any increase or decrease in future pension funding requirements and/or pension expense is expected to be recovered from or refunded to customers in future customer rates subject to forecast risk. There is no assurance that any cost which might arise as a result of recent or future changes in pension plan asset performance and discount rates will be recovered in future customer rates and, if substantial, unrecovered costs could have a material adverse effect on the results of operations, cash flows and financial position of the Company. The impact of current economic conditions on the Company's 2009 pension expense is discussed in the "Critical Accounting Estimates" section of this Management Discussion and Analysis.

There is also measurement uncertainty associated with pension expense, future funding requirements, the accrued benefit asset, accrued benefit liability and benefit obligation inherent in the actuarial valuation process.

Capital Resources: The recent volatility experienced in the global financial markets may increase the Company's cost of capital as well as impact timing of future long-term bond issues. Market driven changes in interest rates can cause fluctuations in interest costs associated with the Company's bank credit facilities. The Company periodically refinances its credit facilities in the normal course with fixed-rate first mortgage sinking fund bonds, which compose most of its long-term debt, thereby significantly mitigating exposure to short-term interest rate changes. The Company currently expects to issue long-term debt in 2009.

Credit Ratings: The Company does not anticipate any material adverse rating actions by the credit rating agencies in the near term. However, the current global financial crisis has placed increased scrutiny on rating agencies and rating agency criteria which may result in changes to credit rating practices and policies.

Electricity Prices: Increases in electricity rates can cause changes in customer electricity consumption, which could negatively impact sales and therefore earnings and cash flows. Electricity prices have risen in recent years due to the flow-through of the rising cost of oil used at Hydro's thermal generating station. Future changes or volatility in oil prices may affect electricity prices in a manner that affects sales.

Competition: The Company currently does not expect any significant loss in heating market share to its primary competitor which is furnace oil. Natural gas is not expected to enter the Company's service territory in the foreseeable future.

Purchased Power Cost: The Company is dependent on Hydro for approximately 92% of its electricity requirements. Purchased power costs are based on a wholesale demand and energy rate structure. The demand and energy rate structure presents the risk of volatility in purchased power costs due to uncertainty in forecasting energy sales and peak billing demand.

With respect to demand charges, effective January 1, 2008, the PUB ordered the discontinuance of the purchased power unit cost variance reserve (the "PPUCVR"), which limited volatility of purchased power cost, and its replacement with the demand management incentive account (the "DMI"). The DMI limits variations in the unit cost of purchased power related to demand up to 1% of total demand costs reflected in customer rates, or approximately $0.5 million for 2008. The disposition of balances in this account, which would be determined by a further order of the PUB, will consider the merits of the Company's conservation and demand management activities. The replacement of the PPUCVR with the DMI is not expected to have a material impact on the Company's annual earnings and cash flows.

With respect to energy charges, as a result of January 1, 2007 changes in Hydro's wholesale rates, the marginal cost of purchased power now exceeds the average cost of purchased power that is embedded in customer rates. To the extent actual electricity sales in any period exceed forecast electricity sales used to set customer rates, the marginal purchased power expense will exceed related revenue. These supply cost dynamics had no material effect on 2008 earnings because the PUB ordered, for 2008 to 2010, that variations in purchased power expense caused by differences between the actual unit cost of energy purchased and that reflected in customer rates be recovered from (returned to) customers through the Company's rate stabilization account. Beyond 2010, the manner in which incremental purchased power costs are recovered will be determined by the PUB.

Regulatory Assets and Liabilities: The accounting methods that give rise to, and the settlement of, regulatory assets and liabilities are determined by the PUB and may impact the Company's future cash flows.

Health, Safety and Environment: The Company is subject to numerous and increasing environmental, health and safety laws, regulations and guidelines governing hazardous substances and other waste materials. Electricity is itself a hazardous commodity. Damages and costs could potentially arise due to a variety of events, including severe weather, human error or misconduct, and equipment failure. There is no assurance that any costs which might arise would be recoverable through customer rates and, if substantial, unrecovered costs could have a material adverse effect on the results of operations, cash flows and financial position of the Company. A focus on safety and the environment is an integral and continuing component of the Company's core business strategy.

2008 was the Company's first full year under the internationally recognized Occupational Health and Safety Assessment Series 18001 Health and Safety Management System ("OHSAS 18001"). This improved the Company's ability to capture and track information related to safe work practices and hazard recognition, and enhanced safety management.

A key element of environmental management relates to the Company's environmental management system ("EMS"). The Company's EMS is designed to mitigate the risks associated with the potential release of hazardous substances into the air, water and soil as part of its day-to-day operations. The Company's EMS is compliant with the ISO 14001. One key hazard relates to the risk of air, soil and water contamination that could stem from the storage of large volumes of fuel and the use of other petroleum based products in day-to-day operating and maintenance activities. In addition, key hazards related to hydroelectric generation operations are the creation of artificial water flows that may disrupt natural habitats and the storage of large volumes of water for the purposes of electricity generation.

In conjunction with the operation of its EMS, the Company is materially compliant with the governing environmental laws under which it must operate. At December 31, 2008, there are no environmental liabilities included in Company's financial statements and there are no material unrecorded environmental liabilities.

Insurance: While the Company maintains a comprehensive insurance program, the Company's transmission and distribution assets (i.e. poles and wires) are not covered under insurance for physical damage. This is customary in North

America as the cost of the coverage is not considered economical. Insurance is subject to coverage limits as well as time-sensitive claims discovery and reporting provisions and there is no assurance that the types of liabilities that may be incurred by the Company will be covered by insurance.

For material uninsured losses, the Company expects that it would seek regulatory relief. However, there is no assurance that regulatory relief would be received. Any major damage to the physical assets of the Company could result in repair costs and customer claims that are substantial in amount and which could have a material adverse effect on the Company's results of operations, cash flows and financial position.

It is expected that existing insurance coverage will be maintained. However, there is no assurance that the Company will be able to obtain or maintain adequate insurance in the future at rates considered reasonable or that insurance will continue to be available on terms comparable to those now existing.

Weather: The physical assets of the Company are exposed to the effects of severe weather conditions and other acts of nature. Although the physical assets have been constructed, operated and maintained to withstand severe weather, there is no assurance that they will successfully do so in all circumstances. This could result in the interruption of electricity service in a manner that could have a material adverse effect on the Company's results of operations, cash flows and financial position.

Labour Relations: Approximately 54% of the employees of the Company are members of the International Brotherhood of Electrical Workers labour union (the "IBEW") which had entered into two collective bargaining agreements with the Company. The two agreements expired on September 30, 2008. The Company and the IBEW reached a tentative agreement in January 2009; however, the tentative agreement is subject to ratification by the members.

The inability to renew the collective bargaining agreements on acceptable terms could result in increased labour costs, or service level declines associated with job action, which could have a material adverse effect on the results of operations, cash flows and financial position of the Company.

2008 ACCOUNTING CHANGES

Future Income Tax: The PUB ordered that future income tax on temporary timing differences between pension expense and pension funding be recognized and included in the determination of customer rates commencing January 1, 2008. The Company recognized future income tax expense of $0.6 million during 2008, and a corresponding future income tax liability, in accordance with this order. This change had no impact on earnings for the period as the additional expense was reflected in customer rates effective January 1, 2008.

Inventories: Effective January 1, 2008, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031 - Inventory. It requires inventories to be measured at the lower of cost or net realizable value; disallows the use of a last-in first-out inventory costing methodology; and, requires that, when circumstances which previously caused inventories to be written down below cost no longer exist, the amount of the write down is to be reversed. As at January 1, 2008, inventories of $4.3 million (2007 - $4.1 million) were reclassified to capital assets on the balance sheet as they are held for the development, construction, maintenance and repair of other capital assets. Inventories expensed in 2008 and 2007 were immaterial.

Capital Disclosures: Effective January 1, 2008, the Company adopted the new CICA Handbook Section 1535 - Capital Disclosures. It requires Newfoundland Power to include additional information in the notes to the financial statements about its capital and the manner in which it is managed. This additional disclosure includes quantitative and qualitative information regarding objectives, policies and processes for managing capital. This new standard did not have any impact on the Company's 2008 financial results. The additional required disclosure is provided in Note 17 to the Company's 2008 annual audited financial statements.

Disclosure and Presentation of Financial Instruments: Effective January 1, 2008, the Company adopted Sections 3862 and 3863 of the CICA Handbook which set out new accounting recommendations for disclosure and presentation of financial instruments. The new recommendations require disclosure of both quantitative and qualitative information that enables users of financial statements to evaluate the nature and extent of risks from financial instruments to which the Company is exposed. These recommendations did not have any impact on the Company's financial results. The additional required disclosure is included in Note 18 to the Company's 2008 annual audited financial statements.

FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards ("IFRS"): In February 2008, the Accounting Standards Board ("AcSB") confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an IFRS Omnibus Exposure Draft proposing that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011. On June 27, 2008 the Canadian Securities Administrators ("CSA") issued Staff Notice 52-321, Early Adoption of IFRS which indicated that the CSA would be prepared to grant an exemption to allow Canadian financial statement issuers to adopt IFRS early on a case-by-case basis, provided that they could demonstrate that they met certain conditions. Newfoundland Power is not expecting to adopt IFRS early.

The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010. The AcSB proposes that CICA Handbook Section - Accounting Changes, paragraph 1506.30, which would require an entity to disclose information relating to a new primary source of GAAP that has been issued but is not yet effective and that the entity has not applied, not be applied with respect to the IFRS Omnibus Exposure Draft.

Newfoundland Power is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable. Newfoundland Power does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required as well as system changes that may be necessary to gather and process the required information.

The Company commenced its IFRS conversion project in 2007 and has established a formal project governance structure. Regular progress reports are provided to the Audit & Risk Committee of the Board of Directors of Newfoundland Power. An external expert advisor has been engaged to assist in the IFRS conversion project.

The Newfoundland Power IFRS conversion project consists of three phases: scoping and diagnostics, analysis and development, and implementation and review.

Phase One: scoping and diagnostics, which involved project planning and staffing and identification of differences between current Canadian GAAP and IFRS, has been completed. Identified areas of accounting difference of highest potential impact to the Company, based on existing IFRS, are rate regulated accounting, property plant and equipment, provisions and contingent liabilities, employee benefits, income taxes and initial adoption of IFRS under the provisions of IFRS 1 First-Time Adoption of IFRS.

Phase Two: analysis and development is nearing completion, and involves detailed diagnostics and evaluation of the financial impacts of various options and alternative methodologies provided for under IFRS; identification and design of operational and financial business processes; initial staff and audit committee training; analysis of IFRS 1 optional exemptions and mandatory exceptions to the general requirement for full retrospective application upon transition to IFRS; summarization of 2011 IFRS disclosure requirements; and, development of required solutions to address identified issues.

It is anticipated that the adoption of IFRS will have an impact on information system requirements. Newfoundland Power is assessing the need for system upgrades or modifications to ensure an efficient conversion to IFRS. As part of Phase Two, information system plans are being prepared for implementation in Phase Three. The degree of this impact is not reasonably determinable at this time.

The Company has completed a preliminary assessment of the impacts of adopting IFRS on debt covenants and other contractual arrangements; however, a final assessment cannot be completed at this time pending the outcome of the project on rate-regulated activities that was recently added to the International Accounting Standards Board's ("IASB") technical agenda.

The Company expects to identify transitional issues and propose to the PUB how those issues might be addressed within the framework of cost of service regulation.

Phase Three: implementation and review, expected to commence mid-year 2009, will involve the execution of changes to information systems and business processes; completion of formal authorization processes to approve recommended accounting policy changes; and, further training programs across the Company as necessary. It will culminate in the collection of financial information necessary to compile IFRS-compliant financial statements and reconciliations; embedding of IFRS in business processes; and, audit committee approval of IFRS compliant financial statements.

Newfoundland Power will continue to review all proposed and continuing projects of the IASB, particularly the project on rate-regulated activities that was recently added to the IASB's technical agenda, and proposed amendments to IFRS 1 for entities with operations subject to rate regulation, and will participate in any related processes as appropriate. In the event regulated assets and liabilities are not permissible under IFRS, this could result in increased volatility in the Company's earnings and balance sheet from that reported under Canadian GAAP.

Rate-Regulated Operations: Given its strategic plan to adopt IFRS, the AcSB revisited the scope of its project on accounting for rate-regulated operations in recognition of the fact that IFRS do not currently provide any special guidance with respect to accounting practices that are unique to rate-regulated entities. As a result, it has removed certain guidance from the CICA Handbook. Newfoundland Power's assessment of these changes is that effective January 1, 2009 it will be required to (i) disclose separately on its balance sheets future income tax assets and liabilities that, in accordance with PUB approved accounting policies, are currently unrecognized along with corresponding regulatory liabilities and assets, and (ii) include in these amounts the future income tax effects of the subsequent settlement of the regulatory assets and liabilities through customer rates. These changes would not affect earnings or cash flows. If calculated in accordance with the revised guidance, the net unrecognized future income tax liability now disclosed in Note 2 to the Company's 2008 annual financial statements would increase by approximately $30.3 million (2007 - increase of approximately $30.7 million) to $102.9 million at December 31, 2008 (December 31, 2007 - $105.1 million).

Goodwill and Intangible Assets: Effective January 1, 2009, the Company will adopt new CICA Handbook Section 3064 - Goodwill and Intangible Assets, which effectively converges Canadian GAAP for intangible assets with IFRS. The new standard provides more comprehensive guidance on the definition and initial recognition criteria of intangible assets,

including internally generated intangible assets. The impact of the adoption of this standard on the Company's financial statements will result in the reclassification of certain assets currently included in capital assets to intangible assets. The items to be reclassified consist of computer software and land rights. As at December 31, 2008, $13.8 million and $2.3 million are included in capital assets related to computer software and land rights, respectively.

CRITICAL ACCOUNTING ESTIMATES

Preparation of the Company's financial statements in accordance with GAAP requires management to make estimates and judgements that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosure of contingencies and commitments. Estimates and judgements are based on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions. The critical accounting estimates involving the more significant estimates and judgements used in the preparation of the Company's financial statements follow.

Capital Asset Amortization: By its nature, capital asset amortization is an estimate based primarily on the useful lives of capital assets. Estimated useful lives are based on current facts and historical information and take into consideration the anticipated physical lives of the assets. The Company's amortization methodology, including amortization rates, accumulated amortization and estimated remaining service lives, is subject to a periodic study by external experts. The difference between actual accumulated amortization and that indicated by the amortization study is amortized and included in customer rates in a manner prescribed by the PUB.

The most recent amortization study, based on capital assets in service as at December 31, 2005, indicates an accumulated amortization variance of approximately $0.7 million. The PUB ordered that it be amortized as a decrease in amortization expense equally over 2008-2011. The PUB has also ordered that revised amortization rates arising from the amortization study be implemented effective January 1, 2008. As a result, the total composite amortization rate declined from 3.5% to 3.4% for 2008. It is management's judgement that these changes will not have a significant impact on the Company's earnings, cash flow and financial position because the changes are reflected in 2008 customer rates pursuant to the 2008 GRA.

The estimate of future removal and site restoration costs, net of salvage proceeds, is based on historical experience and future expected cost trends. The balance of this regulatory liability at December 31, 2008 was $48.0 million (December 31, 2007 - $47.4 million). The net amount of estimated future removal and site restoration costs provided for and reported in amortization expense during 2008 was $4.6 million (2007 - $3.5 million).

Capitalized Overhead: Newfoundland Power capitalizes overhead costs which are not directly attributable to specific capital assets, but which relate to the overall capital expenditure program. Capitalization reflects estimates of the portions of various general expenses that relate to the overall capital expenditures program in accordance with a methodology ordered by the PUB. These general expenses capitalized ("GEC") are allocated over constructed capital assets and amortized over their estimated service lives. In 2008, GEC totalled $2.8 million (2007 - $2.8 million). Changes to the methodology for calculating and allocating general overhead costs to capital assets could have a material impact on the amounts recorded as operating expenses versus capital assets. However, any change in the fundamental methodology for the calculation and allocation of GEC would require the approval of the PUB.

Employee Future Benefits: The Company's primary defined benefit pension plan is subject to judgments utilized in the actuarial determination of the pension expense and related obligation. The primary assumptions utilized by management

in determining the pension expense and the accrued benefit obligation are the discount rate and the expected long-term rate of return on plan assets. All defined benefit pension plan assumptions are assessed and concluded in consultation with the Company's external actuarial advisor.

The discount rate as at December 31, 2008, which is utilized to determine the accrued benefit obligation and the 2009 pension expense, is 7.5% compared to the discount rate of 5.5% as at December 31, 2007. Discount rates reflect market interest rates on high quality bonds with cash flows that match the timing and amount of expected pension benefit payments. This methodology is consistent with that used to determine the discount rate in the previous year. The increase in discount rates reflects the increased credit spreads and cost of capital on investment grade corporate bonds.

The expected long-term rate of return on pension plan assets which is used to estimate the 2009 defined benefit pension expense is 7%. This compares to an expected long-term rate of return of 7.5% used in 2008. The actual rate of return on pension plan assets during 2008 was a loss of 16.6%. As in previous years, an actuary provided the Company with a range of expected long-term pension asset returns based on their internal modelling. The expected long-term return on pension plan assets of 7% falls within the conservative to normal range as indicated by the actuary.

In 2009, the Company expects the pension expense related to its primary defined benefit pension plan to decrease by approximately $0.8 million compared to 2008. This is driven by the higher discount rate, partially offset by the amortization of 2008 experience losses associated with the pension plan assets and a lower assumed long-term rate of return on pension assets for 2009. The impact of the decline in pension assets in 2008, as it relates to the 2009 pension expense, was also mitigated as the pension assets are valued using the market related method as outlined in Note 2 to the 2008 annual audited financial statements. Beyond 2009, pension expense is expected to increase as a result of the decline in pension plan assets in 2008.

The following table provides sensitivity to the changes in the primary assumptions associated with the Company's defined benefit pension plan.

($millions)	**Pension Expense**
Impact of increasing rate of return on assets assumption by 100 basis points (bps)	(2.6)
Impact of decreasing the rate of return on assets assumption by 100 bps	2.6
Impact of increasing the discount rate assumption used during 2008 by 100 bps	(2.6)
Impact of decreasing the discount rate assumption used during 2008 by 100 bps	3.6

Other assumptions are the average rate of compensation increase, average remaining service life of the active employee group, and mortality rates.

The Company's other post-retirement benefits are also subject to judgements utilized in the actuarial determination of the expense and related obligation. Assumptions utilized by management in determining other post-employment benefit plan costs and obligations include the health care cost trend rate and the foregoing assumptions, excluding the expected long-term rate of return on plan assets and average rate of compensation increase.

In accordance with PUB orders, Newfoundland Power expenses the cost of other post-employment benefits on a cash basis, whereby the difference between the cash payments during the year and the expense incurred in the year is deferred as a regulatory asset. Therefore, changes in assumptions cause changes in the regulatory asset and do not impact earnings. Other post-employment benefits costs deferred as a regulatory asset in 2008 totalled $6.6 million (2007 - $6.7 million) and the regulatory asset at December 31, 2008 was $41.1 million (2007 - $34.5 million).

Asset Retirement Obligations: The measurement of the fair value of asset retirement obligations ("AROs") requires the Company to make reasonable estimates about the method of settlement and settlement dates associated with legally obligated asset retirement costs. While the Company has AROs provided for its hydroelectric generation assets and certain distribution and transmission assets, there were no amounts recognized as at December 31, 2008 and December 31, 2007. The nature, amount and timing of AROs for generation assets cannot be reasonably estimated at this time as these assets are expected to effectively operate in perpetuity given their nature. In the event that environmental issues are identified or generation assets are decommissioned, AROs will be recorded at that time provided the costs can be reasonably estimated. It is management's judgement that identified AROs for its remaining assets are immaterial.

Revenue Recognition: The Company recognizes electricity revenue on an accrual basis. Customer bills are issued throughout the month based on meter readings that establish electricity consumption by the customer since the last meter reading. The unbilled revenue accrual for each period is based on estimated electricity sales to customers for the period since the last meter reading at the rates approved by the PUB. The development of the electricity sales estimates requires analysis of electricity consumption on a historical basis in relation to key inputs such as the current price of electricity, population growth, economic activity, weather conditions and system losses. The estimation process for accrued unbilled electricity consumption will result in adjustments to electricity revenue in the period during which the difference between actual results and those estimated becomes known. As at December 31, 2008, the amount of accrued unbilled revenue was approximately $30.5 million (December 31, 2007 - $28.3 million).

SELECTED ANNUAL INFORMATION

($millions, except per share amounts)	2008	2007[6]	2006[6]
Results of Operations			
Revenue	516.9	491.7	422.4
Net Earnings Applicable to Common Shares	32.3	29.9	30.1
Financial Position			
Total Assets	1,001.9	985.9	929.2
Total Long-term Liabilities	534.6	537.7	479.3
Shareholders' Equity	383.1	366.0	345.2
Per Share Data			
Earnings Applicable to Common Shares[7]	3.13	2.89	2.91
Common Dividends Declared[7]	1.48	0.88	1.76
Preferred Dividends Declared[8]	2.56	2.56	2.56

[6] *Certain amounts have been reclassified to conform with the presentation for 2008.*

[7] *Basic and fully diluted. Based on the weighted average number of common shares outstanding, which was 10,320,270 common shares in each year.*

[8] *Based on the aggregate weighted average number of preference shares outstanding in each year, which was 935,223 in both 2008 and 2007 and 935,323 in 2006. In 2007, the Company repurchased 100 preference shares at $10 per share (2006 - 5,700 preference shares at $10 per share). No preference shares were repurchased by the Company in 2008.*

The changes from 2007 to 2008 have been discussed previously in this Management Discussion and Analysis. The increase in total assets from 2006 to 2007 was due primarily to continued investment in the electricity system and is consistent with the Company's strategy to provide safe and reliable electricity service at the lowest reasonable cost. The increase in total long-term liabilities from 2006 to 2007 reflects the reclassification of credit facility borrowings from current to non-current in 2007. The decrease in common dividends from 2006 to 2007 reflects the retention of earnings in order to finance capital expenditures and maintain a capital structure composed of approximately 45% equity and 55% debt.

QUARTERLY RESULTS

	First Quarter March 31		Second Quarter June 30		Third Quarter September 30		Fourth Quarter December 31	
(unaudited)	2008	2007	2008	2007	2008	2007	2008	2007
Electricity Sales (GWh)	1,716.2	1,663.2	1,183.0	1,172.0	896.8	874.0	1,412.2	1,383.6
Revenue ($millions)	164.9	154.8	118.9	115.1	94.1	89.2	139.0	132.6
Earnings Applicable to Common Shares ($millions)	6.2	10.5	10.1	8.0	8.1	2.7	7.9	8.7
Earnings per Common Share ($)[9]	0.60	1.02	0.98	0.77	0.79	0.26	0.76	0.84

[9] *Basic and fully diluted.*

Seasonality

Sales and Revenue: Sales and revenue are significantly higher in the first quarter and significantly lower in the third quarter compared to the remaining quarters. This reflects the seasonality of electricity consumption for heating.

Earnings: Beyond the seasonality of sales and revenue, operating costs tend to be higher in the third quarter compared to the remaining quarters because certain maintenance procedures are more typically performed during the warmer seasons.

The purchased power rate structure effective January 1, 2007 resulted in the Company paying more, on average, for each kilowatt hour ("kWh") of power purchased in the fall and winter months and less, on average, during the spring and summer months. Quarterly revenue, however, continued to be based on customer rates that reflect the average annual cost per kWh. In 2007, differences between the estimated quarterly purchased power expense and that based on the actual cost per kWh were adjusted to the PPUCVR, with no effect on annual purchased power expense or cash flows. Pursuant to the Company's 2008 GRA, the PUB ordered that the PPUCVR be discontinued effective January 1, 2008. Quarterly purchased power expense for 2008 and future years is expected to reflect the actual cost per kWh. Prior to 2008, these sales, revenue and operating cost dynamics yielded higher earnings in the first (winter) quarter and much lower earnings in the third (summer) quarter compared to the remaining quarters.

Trending

Sales and Revenue: Year-over-year quarterly electricity sales increases primarily reflect moderate customer growth. Quarterly revenue increases for 2008 compared to 2007 reflect electricity sales growth and the January 1, 2008 rate increase pursuant to the Company's 2008 GRA.

Earnings: Quarterly earnings for 2008 were not consistent with 2007. The variability of quarterly earnings for 2008 compared to 2007 was primarily due to a seasonal earnings shift as described under "Seasonality" in this Management Discussion and Analysis. In subsequent years, earnings in the first quarter and fourth quarter are expected to be lower and earnings in the second and third quarters are expected to be higher, compared to the remaining quarters.

Beyond the impact of expected moderate sales growth, future quarterly earnings and earnings per share are expected to trend with the ROE reflected in customer rates and rate base growth.

OUTLOOK

It is expected that the Company's strategy will remain unchanged.

In accordance with the operation of the Formula, the Company's 2009 customer rates were not changed from 2008 customer rates. On December 22, 2008, the Company received an Order from the PUB continuing the Company's rate of return on rate base of 8.37%, with a range of 8.19% to 8.55% for 2009.

Newfoundland Power expects to maintain its investment grade credit ratings in 2009.

Newfoundland Power is regulated under a cost of service regime. Cost of service regulation entitles the Company to an opportunity to recover its reasonable cost of providing service, including its cost of capital, in each year. The Company is currently assessing the requirement for it to file an application with the PUB to recover increased costs in 2010, including any increased costs arising from recent economic conditions.

Management Report

The accompanying 2008 Financial Statements of Newfoundland Power Inc. and all information in the 2008 Annual Report have been prepared by management, who are responsible for the integrity of the information presented, including the amounts that must, of necessity, be based on estimates and informed judgments. These Financial Statements were prepared in accordance with accounting principles generally accepted in Canada, including selected accounting treatments that differ from those used by entities not subject to rate regulation. Financial information contained elsewhere in the 2008 Annual Report is consistent with that in the Financial Statements.

In meeting its responsibility for the reliability and integrity of the Financial Statements, management has developed and maintains a system of accounting and reporting which provides for the necessary internal controls to ensure transactions are properly authorized and recorded, assets are safeguarded and liabilities are recognized. The systems of the Company focus on the need for training of qualified and professional staff and the effective communication of management guidelines and policies. The effectiveness of the internal controls of Newfoundland Power Inc. is evaluated on an ongoing basis.

The Board of Directors oversees management's responsibility for financial reporting through an Audit & Risk Committee which is composed entirely of external independent directors. The Audit & Risk Committee oversees the external audit of the Company's Annual Financial Statements and the accounting and financial reporting and disclosure processes and policies of the Company. The Audit & Risk Committee meets with management, the shareholders' auditors and the internal auditor to discuss the results of the audit, the adequacy of internal accounting controls and the quality and integrity of financial reporting. The Company's Annual Financial Statements are reviewed by the Audit & Risk Committee with each of management and the shareholders' auditors before the statements are recommended to the Board of Directors for approval. The shareholders' auditors have full and free access to the Audit & Risk Committee.

The Audit & Risk Committee has the duty to review the adoption of, and changes in, accounting principles and practices which have a material effect on the Company's financial statements and to review and report to the Board of Directors on policies relating to accounting and financial reporting and disclosure processes. The Audit & Risk Committee has the duty to review financial reports requiring the approval of the Board of Directors prior to submission to securities commissions or other regulatory authorities, to assess and review management's judgments that are material to reported financial information and to review shareholders' auditors' independence and auditors' fees.

The December 31, 2008 Financial Statements and Management Discussion and Analysis contained in the 2008 Annual Report were reviewed by the Audit & Risk Committee and, on their recommendation, were approved by the Board of Directors of Newfoundland Power Inc. Ernst & Young, LLP, independent auditors appointed by the shareholders of Newfoundland Power Inc. upon recommendation of the Audit & Risk Committee, have performed an audit of the 2008 Financial Statements and their report follows.

Earl Ludlow
President
and Chief Executive Officer

Jocelyn Perry
Vice President, Finance
and Chief Financial Officer

Auditors' Report

To the Shareholders,
Newfoundland Power Inc.

We have audited the balance sheets of Newfoundland Power Inc. as at December 31, 2008 and 2007 and the statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst + Young LLP

Chartered Accountants
St. John's, Canada

January 22, 2009

Statements of Earnings
For the years ended December 31
(in thousands of Canadian dollars except per share amounts)

	2008	2007
Revenue	$ 516,889	$ 491,709
Purchased Power	336,658	326,778
Net Margin	180,231	164,931
Operating Expenses	47,132	47,501
Pension and Early Retirement Program Costs	3,040	5,701
Amortization	40,649	39,955
Amortization True-Up Deferral *(Note 4)*	3,862	(5,793)
Finance Charges *(Note 5)*	33,507	34,939
	128,190	122,303
Earnings before Income Taxes	52,041	42,628
Income Taxes *(Note 6)*	19,146	12,176
Net Earnings	32,895	30,452
Preference Share Dividends	554	586
Net Earnings Applicable to Common Shares	$ 32,341	$ 29,866
Basic and Diluted Earnings per Common Share	$ 3.13	$ 2.89

Statements of Retained Earnings
For the years ended December 31
(in thousands of Canadian dollars)

	2008	2007
Balance, Beginning of the Year	$ 286,350	$ 265,566
Net Earnings	32,895	30,452
Dividends		
Preference shares	(554)	(586)
Common shares	(15,274)	(9,082)
Balance, End of the Year	$ 303,417	$ 286,350

See accompanying notes to financial statements.

Balance Sheets
As at December 31
(in thousands of Canadian dollars)

	2008	2007
Assets		
Current assets		
Cash	$ 619	$ 1,067
Accounts receivable	63,508	70,792
Regulatory assets *(Note 4)*	9,426	7,086
Materials and supplies	1,016	928
Prepaid expenses	1,292	1,190
Income tax receivable	-	1,780
	75,861	82,843
Capital assets *(Note 7)*	774,957	750,794
Deferred charges *(Note 8)*	93,273	88,674
Regulatory assets *(Note 4)*	55,988	61,808
Customer finance plans *(Note 9)*	1,776	1,811
	$1,001,855	$ 985,930
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued charges	$ 65,548	$ 68,685
Regulatory liabilities *(Note 4)*	6,428	9,020
Current instalments of long-term debt *(Note 13)*	4,550	4,550
Income tax payable	7,633	-
	84,159	82,255
Regulatory liabilities *(Note 4)*	54,817	60,593
Other liabilities *(Note 14)*	45,001	38,082
Future income taxes *(Note 6)*	1,184	-
Long-term debt *(Note 13)*	433,604	438,977
	618,765	619,907
Shareholders' equity		
Common shares *(Note 10)*	70,321	70,321
Preference shares *(Note 10)*	9,352	9,352
Retained earnings	303,417	286,350
	383,090	366,023
	$1,001,855	$ 985,930

Commitments *(Note 19)*

See accompanying notes to financial statements.

APPROVED ON BEHALF OF THE BOARD:

Chris Griffiths
Director

David Norris
Director

Statements of Cash Flows
For the years ended December 31
(in thousands of Canadian dollars)

	2008	2007
Cash From (Used In) Operating Activities		
Net earnings	$ 32,895	$ 30,452
Items not affecting cash		
Amortization of capital assets	40,649	39,955
Amortization of deferred charges	298	318
Change in regulatory assets and liabilities	305	(6,180)
Future income taxes	1,184	-
Accrued employee future benefits	(4,471)	(7,407)
Change in non-cash working capital	14,191	(7,887)
	85,051	49,251
Cash From (Used In) Investing Activities		
Capital expenditures (net of salvage)	(67,333)	(72,167)
Long-term portion of finance programs	35	(84)
Contributions from customers and security deposits	3,227	2,580
	(64,071)	(69,671)
Cash From (Used In) Financing Activities		
Change in short-term borrowings	-	(320)
Proceeds from long-term debt	33,500	70,000
Proceeds from related party loan *(Note 11)*	32,500	-
Repayment of long-term debt	(39,050)	(37,851)
Repayment of related party loan *(Note 11)*	(32,500)	-
Payment of debt financing costs	(50)	(273)
Redemption of preference shares	-	(1)
Dividends		
Preference shares	(554)	(586)
Common shares	(15,274)	(9,082)
	(21,428)	21,887
Increase (Decrease) in Cash	(448)	1,467
Cash (Bank Indebtedness), Beginning of the Year	1,067	(400)
Cash, End of the Year	$ 619	$ 1,067

Supplementary Information to Statements of Cash Flows (Note 15)

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2008

Tabular amounts are in thousands of Canadian dollars unless otherwise noted.

1. Description of Business

Newfoundland Power Inc. (the "Company" or "Newfoundland Power") is a regulated electricity utility that operates an integrated generation, transmission and distribution system throughout the island portion of Newfoundland and Labrador. The Company is regulated by the Newfoundland and Labrador Board of Commissioners of Public Utilities (the "PUB") and serves approximately 236,000 customers comprising about 85% of all electricity consumers in the province. The Company is a wholly-owned subsidiary of Fortis Inc. ("Fortis"). Newfoundland Power has an installed generating capacity of 140 megawatt ("MW"), of which approximately 97 MW is hydroelectric generation. It generates approximately 8% of its energy needs and purchases the remainder from Newfoundland and Labrador Hydro ("Hydro").

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). As a result of rate regulation, the timing of the recognition of certain assets, liabilities, revenues and expenses may differ from that otherwise expected under Canadian GAAP for entities not subject to rate regulation. These differences are disclosed below and in Note 4.

Regulation

The Company operates under cost of service regulation as administered by the PUB under the Public Utilities Act (Newfoundland and Labrador) ("Public Utilities Act").

The Public Utilities Act provides for the PUB's general supervision of the Company's utility operations and requires the PUB to approve, among other things, customer rates, capital expenditures and the issuance of securities. The Public Utilities Act also entitles the Company an opportunity to recover all reasonable and prudent costs incurred in providing electricity service to its customers, including a just and reasonable return on its rate base. The rate base consists of the net assets required by the Company to provide service to customers.

The determination of the forecast return on rate base, together with the forecast of all reasonable and prudent costs, establishes the revenue requirement upon which the Company's customer rates are determined through a general rate hearing. Rates are bundled to include generation, transmission and distribution services.

As a result of the Company's 2008 General Rate Application ("2008 GRA"), the forecast cost of common equity reflected in customer rates for 2008 is 8.95% (2007 - 8.60%). Between general rate hearings, customer rates are established annually through the operation of an automatic adjustment formula (the "Formula") that sets an appropriate annual rate of return on rate base based upon changes in the forecast cost of common equity. In accordance with the operation of the Formula, as approved by the PUB in 2008, the Company's rate of return on rate base was set at 8.37%, with a range of 8.19% to 8.55% for 2009, unchanged from 2008.

Revenue Recognition

Revenue arising from the amortization of certain regulatory assets and liabilities is recognized in the manner prescribed by the PUB, as disclosed in Note 4. Otherwise, revenue is recognized under the accrual method.

Capital Assets

Capital assets are stated at values approved by the PUB as at June 30, 1966, with subsequent additions at cost. Contributions in aid of construction represent the cost of utility capital assets contributed by customers and government. These contributions are recorded as a reduction in the cost of utility capital assets and are being reduced annually by an amount equal to the charge for amortization provided on the related assets.

The Company capitalizes certain overhead costs not directly attributable to specific capital assets but which do relate to its overall capital expenditure program (general expenses capitalized or "GEC"). The methodology for calculating and allocating GEC among classes of capital assets is established by PUB order. In the absence of rate regulation, only those overhead costs directly attributable to construction activity would be capitalized. In 2008, GEC totalled $2.8 million (2007 - $2.8 million).

The Company capitalizes an allowance for funds used during construction ("AFUDC"), which represents the cost of debt and equity financing incurred during construction of capital assets. Effective January 1, 2008, AFUDC is calculated in a manner prescribed by the PUB based on a capitalization rate that is the Company's weighted average cost of capital. Prior to that, AFUDC was calculated based on a capitalization rate that, depending on the source of financing, may be either (i) the Company's average short-term borrowing rate; (ii) its rate of return on rate base; or (iii) a blended average of these two rates. In 2008, the cost of equity financing capitalized as an AFUDC and deducted from financing charges was approximately $0.3 million (2007 - $0.2 million). In the absence of rate regulation, this cost of equity financing would be expensed.

Capital assets are amortized using the straight-line method by applying the amortization rates disclosed below to the average original cost, including GEC and AFUDC, of the related assets. A half-year of amortization is recognized on capital assets during the year in which they are placed into service and during the year of disposition.

The composite amortization rates for the Company's capital assets, as well as their service life ranges and average remaining service lives as at December 31, follow.

	Composite Amortization Rate		Service Life (Years)			
			Range		Average Remaining	
	2008	2007	2008	2007	2008	2007
Distribution	3.1%	3.3%	16-65	16-65	23	23
Transmission and substations	2.9	2.8	31-65	31-65	26	26
Generation	2.6	2.2	13-75	13-75	32	32
Transportation and communications	8.9	8.7	5-30	5-30	5	5
Buildings	2.3	2.5	35-70	35-70	27	27
Equipment	9.0	9.2	5-25	5-25	5	5
	3.4%	3.5%				

The Company's amortization methodology, including amortization rates, accumulated amortization and estimated remaining service lives, is subject to periodic review by external experts (the "Amortization Study"). The differences between actual accumulated amortization and that indicated by the Amortization Study (the "Amortization True-Up") is deferred as a regulatory asset (liability), and is amortized as an increase (decrease) in amortization expense and included in customer rates in a manner prescribed by the PUB. The most recent Amortization Study, based on capital assets in service as at December 31, 2005, indicates an Amortization True-Up of approximately $0.7 million. The PUB ordered that it be amortized as a decrease in amortization expense equally over 2008 - 2011. See Note 4.

Effective January 1, 2008, the PUB ordered the implementation of the revised amortization rates arising from the Company's most recent Amortization Study. As a result, the composite amortization rate declined to 3.4% in 2008 from 3.5% in 2007.

Upon disposition, the original cost of capital assets is removed from the capital asset accounts. That amount, net of salvage proceeds, is also removed from accumulated amortization. As a result, any gain or loss is charged to accumulated amortization and is effectively included in the Amortization True-Up arising from the next Amortization Study. In 2008, approximately $6.8 million (2007 - $7.2 million) of losses were charged to accumulated amortization. In the absence of rate-regulation, these amounts would have been recognized as losses upon disposition.

Materials and Supplies
Effective January 1, 2008, in accordance with the adoption of the new Canadian Institute of Chartered Accountants ("CICA") Handbook section 3031 - Inventory, materials and supplies, representing fuel and materials required for maintenance activities, are carried at the lower of cost or net realizable value. This standard has been applied retroactively to 2007.

Deferred Capital Stock Issue Costs
Capital stock issue costs are recognized as deferred charges and are amortized as finance charges on a straight-line basis over 20 years. In the absence of rate regulation, capital stock issue costs would be recognized as a reduction in share capital and would not be amortized.

Future Income Taxes
Effective January 1, 1981, as prescribed by the PUB, future income tax liabilities are recognized, and recovered in customer rates, on temporary timing differences associated with the cumulative excess of capital cost allowance over amortization of capital assets, excluding GEC.

Future income tax expense (recovery) associated with the Company's regulatory reserves and certain regulatory deferrals is also recognized and included in the determination of customer rates. See Note 4.

Effective January 1, 2008, as prescribed by the PUB, future income taxes are recognized and recovered in customer rates on temporary timing differences between pension expense and pension funding.

Future income tax assets and liabilities associated with other temporary timing differences between the tax basis of assets and liabilities and their carrying amount are not recognized or included in customer rates. Unrecognized amounts are expected to be recovered from (refunded to) customers through rates when the income taxes actually become payable (recoverable). The Company's unrecognized net future income tax liability at December 31, 2008 was $72.6 million (2007 - $74.4 million).

Employee Future Benefits
Newfoundland Power maintains defined contribution and defined benefit pension plans for its employees and also provides other post-employment benefits ("OPEBs"). OPEBs are composed of retirement allowances for retiring employees as well as health, medical and life insurance for retirees and their dependants.

Defined Contribution and Defined Benefit Pension Plans
Defined contribution pension plan costs are expensed as incurred.

The pension costs and accrued benefit obligations of the defined benefit pension plans are actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. Pension plan assets are valued using the market-related value where investment returns in excess of or below expected returns are recognized in asset value over a period of three years. The excess of the cumulative net actuarial gain or loss over 10% of the greater of the benefit obligation and the market-related value of plan assets is amortized over the estimated average remaining service period of active employees. The transitional obligation arising from the Company's January 1, 2000 adoption of Section 3461 of the CICA Handbook is being amortized on a straight-line basis over the 18 year expected average remaining service period of plan members at that time. Unamortized past service costs are amortized over a range of 5 - 15 years. See Notes 4 and 16.

OPEBs
OPEBs costs, excluding retirement allowances arising from the Company's 2005 Early Retirement Program ("ERP"), are expensed when benefits are paid. As ordered by the PUB, in 2007, the Company completed expensing the final portion of retirement allowances associated with its 2005 ERP in the amount of $0.1 million. In the absence of rate regulation, OPEBs costs would be recognized as expense on an accrual basis as actuarially determined. The portion of the actuarially determined costs that is not recognized as an expense is deferred as a regulatory asset, as these costs are expected to be recovered in future customer rates in a manner determined by the PUB. See Note 4.

OPEBs costs and the accrued OPEB obligation are actuarially determined using the projected benefits method prorated on service and best estimate assumptions. The excess of any cumulative net actuarial gain or loss over 10% of the benefit obligation, along with unamortized past service costs is amortized over the estimated average remaining service period of active employees. The transitional obligation arising from the Company's January 1, 2000 adoption of Section 3461 of the CICA Handbook is being amortized on a straight-line basis over the 18 year expected average

remaining service period of plan members at that time. In each case, amortization is recognized as a change in both the OPEBs regulatory asset and the accrued OPEBs liability.

In the absence of rate regulation, OPEBs costs recognized in 2008 operating expenses would have been $6.5 million higher (2007 - $6.7 million higher).

Financial Instruments

The Company has designated its financial instruments as follows:

(a) Cash is classified as "Held for Trading". After its initial fair value measurement, any change in fair value is recognized in earnings.
(b) Accounts receivable and loans under customer finance plans (Note 9) are classified as "Loans and Receivables". Short-term borrowings, bank indebtedness, accounts payable and accrued charges, security deposits (Note 14), and long-term debt are classified as "Other Financial Liabilities". Initial measurement is at fair value and incorporates transaction costs, including deferred debt issue costs. Subsequent measurement is at amortized cost using the effective interest method. For the Company, the measurement amount approximates cost.

Asset Retirement Obligations

Under Canadian GAAP, the Company is required to record the fair value of future expenditures necessary to settle legal obligations associated with asset retirements even though the timing or method of settlement is conditional on future events. Newfoundland Power has determined that there are asset retirement obligations ("AROs") associated with its generation assets and some parts of its transmission and distribution system.

For generation assets, the legal obligation is the environmental remediation of the land and waterways to protect fish habitat. However, this obligation is conditional on the decision to decommission generation assets. The Company currently has no plans to decommission any of its hydroelectric generation assets as they are effectively operated in perpetuity. Therefore, the nature and fair value of any ARO is not currently determinable.

For the transmission and distribution system, the legal obligations, which pertain to the proper disposal of fuel storage tanks, used oil and asbestos, were determined to be immaterial. Therefore, no AROs have been recognized.

The Company will recognize AROs and offsetting capital assets if the nature and timing can reasonably be determined and the amount is material.

Use of Accounting Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Additionally, certain estimates are necessary since the regulatory environment in which the Company operates may require amounts to be recorded at estimated values until these amounts are finalized pursuant to PUB Order.

Estimates are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Due to changes in facts and circumstances and the inherent uncertainty involved in making estimates, actual results may differ from current estimates. Estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period during which they either, as appropriate, become known or included in customer rates.

3. Change in Accounting Policies

2008 Changes

Future Income Tax: The PUB ordered that future income tax on temporary timing differences between pension expense and pension funding be recognized and included in the determination of customer rates commencing January 1, 2008. The Company recognized future income tax expense of $0.6 million during 2008, and a corresponding future income tax liability, in accordance with this order. This change had no impact on earnings for the year as the additional expense was reflected in customer rates effective January 1, 2008

Inventories: Effective January 1, 2008, the Company adopted the new CICA Handbook Section 3031 - Inventory. It requires inventories to be measured at the lower of cost or net realizable value; disallows the use of a last-in first-out inventory costing methodology; and, requires that, when circumstances which previously caused

inventories to be written down below cost no longer exist, the amount of the write down is to be reversed. As at January 1, 2008, inventories of $4.3 million (2007 - $4.1 million) were reclassified to capital assets on the balance sheet as they are held for the development, construction, maintenance and repair of other capital assets. Inventories expensed in 2008 and 2007 were immaterial.

Capital Disclosures: Effective January 1, 2008, the Company adopted the new CICA Handbook Section 1535 - Capital Disclosures. It required the Company to disclose quantitative and qualitative information regarding objectives, policies and processes for managing capital. This new Standard did not have any impact on the Company's 2008 financial results. See Note 17.

Disclosure and Presentation of Financial Instruments: Effective January 1, 2008, the Company adopted Sections 3862 and 3863 of the CICA Handbook which set out new accounting recommendations for disclosure and presentation of financial instruments. The new recommendations require disclosure of both quantitative and qualitative information that enables users of financial statements to evaluate the nature and extent of risks from financial instruments to which the Company is exposed. These recommendations did not have any impact on the Company's financial results. The additional required disclosure is included in Note 18 to the Company's 2008 annual audited financial statements.

Future Changes

International Financial Reporting Standards ("IFRS"): In February 2008, the Accounting Standards Board ("AcSB") confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an IFRS Omnibus Exposure Draft proposing that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010. The AcSB proposes that CICA Handbook Section - Accounting Changes, paragraph 1506.30, which would require an entity to disclose information relating to a new primary source of Canadian GAAP that has been issued but is not yet effective and that the entity has not applied, not be applied with respect to this Exposure Draft.

Newfoundland Power is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable. Further, the Company anticipates a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required and any necessary system changes to gather and process the information.

Rate Regulated Operations: Given its strategic plan to adopt IFRS, the AcSB revisited the scope of its project on accounting for rate-regulated operations in recognition of the fact that IFRS do not currently provide any special guidance with respect to accounting practices that are unique to rate-regulated entities. As a result, it has removed certain guidance from the CICA Handbook. Newfoundland Power's assessment of these changes is that effective January 1, 2009 it will be required to (i) disclose separately on its balance sheets future income tax assets and liabilities that, in accordance with PUB approved accounting policies, are currently unrecognized along with corresponding regulatory liabilities and assets, and (ii) include in these amounts the future income tax effects of the subsequent settlement of the regulatory assets and liabilities through customer rates. These changes would not affect earnings or cash flows. If calculated in accordance with the revised guidance, the net unrecognized future income tax liability now disclosed in Note 2 to the Company's 2008 annual financial statements would increase by approximately $30.3 million (2007 - increase of approximately $30.7 million) to $102.9 million at December 31, 2008 (December 31, 2007 - $105.1 million).

Goodwill and Intangible Assets: Effective January 1, 2009, the Company will adopt new CICA Handbook Section 3064 - Goodwill and Intangible Assets, which effectively converges Canadian GAAP for intangible assets with IFRS. The new Standard provides more comprehensive guidance on the definition and initial recognition criteria of intangible assets, including internally generated intangible assets. Adoption of this standard on the Company's financial statements will result in the reclassification of certain assets currently included in capital assets to intangible assets. The items to be reclassified consist of certain computer software and land rights. As at December 31, 2008, $13.8 million and $2.3 million are included in capital assets related to certain computer software and land rights, respectively.

4. Regulatory Assets and Liabilities

Regulatory assets and liabilities arise as a result of the rate-setting process. Regulatory assets represent future revenues associated with certain costs incurred in the current or prior periods that will be, or are expected to be, recovered from customers in future periods through the rate-setting process. Regulatory liabilities represent future

reductions or limitations of increases in revenues associated with amounts that will be, or are expected to be, refunded to customers through the rate-setting process. The accounting methods underlying regulatory assets and liabilities, and their eventual settlement through the rate-setting process, are prescribed by the PUB and impact the Company's cashflows.

The Company's regulatory assets and liabilities, which will be, or are expected to be, reflected in customer rates in future periods, follow.

	2008		2007	
	Current	Non-current	Current	Non-current
Regulatory Assets				
Rate stabilization account (i)	$ 2,486	$ 4	$ (70)	$ 1,761
OPEBs *(Note 2)*	-	41,074	-	34,527
Weather normalization account (ii)	1,366	4,544	1,366	9,151
Amortization true-up deferral (iii)	3,862	3,862	3,862	7,724
Pension deferral (iv)	1,128	5,920	1,128	7,048
Replacement energy deferral (v)	383	383	383	764
Deferred GRA costs (vi)	201	201	417	833
	$ 9,426	$ 55,988	$ 7,086	$ 61,808
Regulatory Liabilities				
Municipal tax liability (vii)	$ 1,363	$ 1,364	$ 1,363	$ 2,726
Unbilled revenue (viii)	4,618	4,618	7,210	9,236
Purchased power unit cost variance reserve (ix)	447	448	447	1,203
Future removal and site restoration provision (x)	-	47,961	-	47,428
Demand management incentive account (xi)	-	426	-	-
	$ 6,428	$ 54,817	$ 9,020	$ 60,593

(i) Rate Stabilization Account ("RSA")

The RSA passes through to the Company's customers amounts primarily related to changes in the cost and quantity of fuel used by Hydro to produce the electricity sold to the Company. Operation of this account has no earnings impact. On July 1 of each year, customer rates are recalculated in order to amortize over the subsequent twelve months the balance in the rate stabilization account as of March 31 of the current year. In the absence of rate regulation these transactions would be accounted for in a similar manner, however, the amount and timing of the recovery or refund would not be subject to PUB approval.

The marginal cost of purchased power for the Company currently exceeds the average cost that is embedded in customer rates. To the extent actual electricity sales in any period exceed forecast electricity sales used to set customer rates, marginal purchased power expense will exceed related revenue. The PUB ordered, effective January 1, 2008, that variations in purchased power expense caused by differences between the actual unit cost of energy and that reflected in customer rates be recovered from (refunded to) customers through the rate stabilization account.

(ii) Weather Normalization Account

The weather normalization account reduces earnings volatility by adjusting purchased power expense and electricity sales revenue to eliminate variances in purchases and sales caused by the difference between normal weather conditions, based on long-term averages, and actual weather conditions. In the absence of rate regulation these fluctuations would be recognized in earnings in the period in which they occurred.

The balance in the weather normalization account, because it is based on long-term averages for weather conditions, should tend to zero over time. However, the Company indentified non-reversing balances in the account arising from changes in purchased power rates and income tax rates. Effective January 1, 2003, the PUB ordered that a non-reversing balance of approximately $5.6 million be amortized equally over 2003-2007 as an increase in purchased power expense of approximately $1.7 million and a decrease in future income tax expense of approximately $0.6 million in each year. Effective January 1, 2008, the PUB ordered that a non-reversing balance of approximately $6.8 million be amortized equally over 2008-2012 as an increase in purchased power expense of approximately $2.1 million and a decrease in future income tax expense of approximately $0.7 million in each year.

The recovery period for the outstanding balance in the weather normalization account is not determinable as it depends on future weather conditions. In the absence of rate regulation, revenue in 2008 would have been $7.6 million lower (2007 - $1.8 million lower), purchased power expense in 2008 would have been $14.6 million lower (2007 - $3.8 million lower) and future income tax expense in 2008 would have been $2.4 million higher (2007 - $0.7 million higher).

(iii) Amortization True-Up Deferral

The PUB ordered the deferred recovery of approximately $5.8 million in each of 2006 and 2007, $11.6 million in aggregate, related to a variance in accumulated amortization identified in the 2002 amortization study. These deferrals were recorded as an increase in regulatory assets and a decrease in expenses of $5.8 million in each year. Amortization of $3.9 million was recorded in 2008 in accordance with the PUB order that the resultant regulatory asset of approximately $11.6 million be amortized evenly over 2008 through 2010. In the absence of rate regulation, $11.6 million would have been expensed in the original years incurred.

(iv) Pension Deferral

The PUB ordered that approximately $11.3 million of incremental pension costs arising from the Company's 2005 early retirement program be deferred and amortized equally over a ten year period beginning April 1, 2005. In the absence of rate regulation, these costs would have been expensed in 2005.

(v) Replacement Energy Deferral

Effective January 1, 2008, the PUB ordered that a $1.1 million regulatory asset related to the deferred recovery of the cost of replacement energy purchased during the refurbishment of the Company's Rattling Brook hydroelectric generating plant be amortized equally over 2008 - 2010 as an increase in purchased power expense of approximately $0.6 million and a decrease in future income tax expense of approximately $0.2 million in each year. In the absence of rate regulation, these costs would have been expensed in 2007.

(vi) Deferred GRA Costs

In 2007, the PUB ordered that an estimated $1.3 million of external costs related to the Company's 2008 GRA be deferred and amortized evenly over 2008 - 2010. In early 2008, this estimate was reduced by $0.7 million to reflect actual costs. The actual costs of $0.6 million are being amortized evenly over 2008 - 2010. In the absence of rate regulation, the original accrued costs of $1.3 million would have been expensed in 2007, with the subsequent $0.7 million adjustment recorded as a reduction of expenses in 2008.

(vii) Municipal Tax Liability

The $4.1 million municipal tax liability results from a timing difference related to the recovery and payment of municipal taxes under the Company's PUB approved municipal tax collection policy. The PUB ordered that this $4.1 million be amortized as other revenue equally over 2008 - 2010.

(viii) Unbilled Revenue

Prior to January 1, 2006 revenue from electricity sales was recognized as bills were rendered to customers. Subsequent to this date, revenue is recognized on an accrual basis. The difference between revenue recognized on a billed basis and revenue recognized on an accrual basis as at December 31, 2005 was recorded on the balance sheet as a regulatory liability. As ordered by the PUB, the Company amortized approximately $7.2 million of this regulatory liability in 2008 (2007 - $2.7 million). The unamortized balance at December 31, 2008 will be amortized as follows: 2009 and 2010 – approximately $4.6 million in each year. In the absence of rate regulation, all the unbilled revenue would have been recognized as revenue during 2005.

(ix) Purchased Power Unit Cost Variance Reserve

The purchased power unit cost variance reserve limited variation in the cost of purchased power associated with a demand and energy wholesale rate structure, to a PUB approved range.

Effective January 1, 2008, the PUB ordered the discontinuance of the purchased power unit cost variance reserve.

The PUB ordered that the December 31, 2006 balance in the reserve of approximately $1.3 million be amortized over 2008 - 2010 as a decrease in purchased power expense of approximately $0.7 million and an increase in future income tax expense of approximately $0.3 million in each year. In 2008, the PUB ordered that the balance in the account related to 2007 be transferred to the rate stabilization account in 2008.

(x) Future Removal and Site Restoration Provision

This regulatory liability represents amounts collected in customer electricity rates over the life of certain capital assets which are attributable to removal and site restoration costs that are expected to be incurred in the future. Actual removal and site restoration costs, net of salvage proceeds, are recorded against the regulatory liability when incurred. The regulatory liability represents the amount of expected future removal and site restoration costs associated with capital assets in service as at December 31, calculated using current amortization rates as approved by the PUB. In the absence of rate regulation, removal and site restoration costs, net of salvage proceeds would be recognized as an operating expense when incurred.

(xi) Demand Management Incentive Account

Through the demand management incentive account, variations in the unit cost of purchased power related to demand are limited, at the discretion of the PUB, to 1% of demand costs reflected in customer rates. Balances in this account are recorded as a regulatory asset or regulatory liability on Newfoundland Power's balance sheets. The disposition of balances in this account, which would be determined by a further order of the PUB, will consider the merits of the Company's conservation and demand management activities.

5. Finance Charges

	2008	2007
Interest on first mortgage sinking fund bonds	$ 32,334	$ 33,718
Interest on committed revolving term credit facility	1,187	1,437
Interest on demand facility	11	38
Amortization of deferred debt issue costs	235	256
Amortization of capital stock issue costs *(Note 2)*	62	62
Interest on security deposits	38	50
Interest on related party loan	258	-
AFUDC *(Note 2)*	(618)	(622)
	$ 33,507	$ 34,939

6. Income Taxes

Income taxes vary from the amount that would be determined by applying statutory income tax rates to pre-tax earnings. A reconciliation of the combined federal and provincial statutory income tax rate to the Company's effective income tax rate follows.

	2008	2007
Statutory tax rate	33.5%	36.1%
Tax expense per financial statements	$ 19,146	$ 12,176
Accounting income per financial statements	52,041	42,628
Expected tax expense (statutory rate)	17,434	15,397
Items capitalized vs. expensed	(926)	(1,029)
CCA vs. amortization	1,088	1,402
Pension funding vs. pension expense	(162)	(2,221)
Other timing differences	265	(562)
Unbilled revenue	102	1,733
Regulatory deferrals	1,345	(2,544)
Income tax expense	$ 19,146	$ 12,176
Effective tax rate	36.8%	28.6%

The composition of the Company's income tax provision follows.

	2008	2007
Current income tax expense	$ 20,346	$ 12,432
Future income tax recovery	(1,200)	(256)
	$ 19,146	$ 12,176

Pursuant to a settlement agreement with the Canada Revenue Agency, current income taxes in 2008 include approximately $2.5 million (2007 - $2.7 million) related to the Company's January 1, 2006 adoption of the accrual method of revenue recognition for income tax purposes.

As at December 31, 2008, the Company had approximately $0.2 million (December 31, 2007 - $0.2 million) in capital losses carried forward which have not been recognized in the financial statements.

7. Capital Assets

	Cost		Accumulated Amortization		Net Book Value	
	2008	2007	2008	2007	2008	2007
Distribution	$ 690,675	$ 661,455	$ 248,543	$ 236,195	$ 442,132	$ 425,260
Transmission and substations	228,630	219,490	89,107	85,671	139,523	133,819
Generation	159,498	156,530	45,639	42,621	113,859	113,909
Transportation and communications	33,056	32,547	16,163	15,679	16,893	16,868
Land, buildings and equipment	100,706	98,745	44,657	42,682	56,049	56,063
Construction in progress	2,126	555	-	-	2,126	555
Construction materials	4,375	4,320	-	-	4,375	4,320
	$1,219,066	$1,173,642	$ 444,109	$ 422,848	$ 774,957	$ 750,794

Distribution assets are used to distribute low voltage electricity to customers and include poles, towers and fixtures, low voltage wires, transformers, overhead and underground conductors, street lighting, metering equipment and other related equipment.

Transmission and substations assets are used to transmit high voltage electricity to distribution assets and include poles; high voltage wires, switching equipment, transformers and other related equipment.

Generation assets are used to generate electricity and include hydroelectric and thermal generating stations, gas and combustion turbines, dams, reservoirs and other related equipment.

Transportation and communications assets include vehicles as well as telephone, radio and other communications equipment.

Land, buildings and equipment are used generally in the provision of electricity service but not specifically in the distribution, transmission or generation of electricity or specifically related to transportation and communication activities.

8. Deferred Charges

	2008	2007
Deferred pension costs *(Note 16)*	$ 93,148	$ 88,478
Deferred credit facility costs	50	59
Deferred capital stock issue costs *(Note 2)*	75	137
	$ 93,273	$ 88,674

9. Customer Finance Plans

Customer finance plans represent the non-current portion of loans to customers for certain new service requests and energy efficiency upgrades. The current portion of these loans is classified as accounts receivable. In the case of new service requests, and as prescribed by the PUB, interest is charged at a fixed rate of prime plus 3% for repayment periods up to 60 months and prime plus 4% for repayment periods of 61 months to 120 months. In the case of energy efficiency upgrades, interest is charged at a fixed rate of prime plus 4% for a maximum repayment period of 60 months. All loan instalments are made through the customers' monthly electricity bill payments. The balance of any loan may be repaid at any time without penalty.

10. Capital Stock

Authorized

(a) an unlimited number of Class A and Class B Common Shares without nominal or par value. The shares of each class are inter-convertible on a share-for-share basis and rank equally in all respects including dividends. The Board of Directors may provide for the payment, in whole or in part, of any dividends to Class B shareholders by way of a stock dividend;

(b) an unlimited number of First Preference Shares and Second Preference Shares without nominal or par value, except that each Series A, B, D and G First Preference Share has a par value of $10. The issued First Preference Shares are entitled to cumulative preferential dividends and are redeemable at the option of the Company at a premium not in excess of the annual dividend rate. Series D and G First Preference Shares are subject to the operation of purchase funds and the Company has the right to purchase limited amounts of these shares at or below par.

Issued

	2008		2007	
	Number of Shares	Amount	Number of Shares	Amount
Class A Common Shares	10,320,270	$ 70,321	10,320,270	$ 70,321
First Preference Shares				
5.50% Series A	179,225	1,792	179,225	1,792
5.25% Series B	337,983	3,380	337,983	3,380
7.25% Series D	212,065	2,121	212,065	2,121
7.60% Series G	205,950	2,059	205,950	2,059
	935,223	$ 9,352	935,223	$ 9,352

At December 31, 2008, Fortis held 230,194 or approximately 24.6% of the Company's issued and outstanding First Preference Shares.

11. Related Party Transactions

The Company provides services to, and receives services from, its parent Company, Fortis, and other subsidiaries of Fortis. The Company also incurs charges from Fortis for the recovery of general corporate expenses incurred by Fortis. Related party revenue primarily relates to electricity sales. These transactions are in the normal course of business and are recorded at their exchange amounts.

Related party transactions included in revenue, operating expenses and finance charges in 2008 and 2007, and in accounts receivable at December 31 of these years, follow.

	2008	2007
Revenue	$ 4,225	$ 4,078
Operating expenses	$ 1,459	$ 940
Finance charges	$ 258	$ -
Accounts receivable	$ 163	$ 112

12. Credit Facilities

Newfoundland Power has unsecured bank credit facilities of $120 million comprised of a syndicated $100 million committed revolving term credit facility which matures on August 29, 2011 and a $20 million demand facility.

During the year, the $100 million committed revolving facility was renegotiated on similar terms as the previous facility. Subject to lenders approval, two years prior to maturity the Company may request an extension for a further period of 364 days, or alternatively, one year prior to maturity the Company may request an extension for a further period of up to one year and 364 days.

Borrowings under the committed facility have been classified as long-term as they are expected to remain outstanding for a period extending beyond one year from the balance sheet date and management intends to refinance these amounts in the future with the issuance of other long-term debt. These borrowings are in the form of bankers acceptances bearing interest based on the daily Canadian Deposit Offering Rate for the date of borrowing plus a stamping fee. Standby fees on the unutilized portion of the committed facility are payable quarterly in arrears at a fixed rate of 0.1375%. Interest on the demand facility is calculated at the daily prime rate and is payable monthly in arrears.

The utilized and unutilized credit facilities as at December 31 follow.

	2008	2007
Total credit facilities	$ 120,000	$ 120,000
Borrowings under committed facility *(Note 13)*	(32,000)	(33,000)
Credit facilities available	$ 88,000	$ 87,000

13. Long-term Debt

	2008	2007
First mortgage sinking fund bonds		
10.550% $40 million Series AD, due 2014	$ 30,953	$ 31,353
10.900% $40 million Series AE, due 2016	33,200	33,600
10.125% $40 million Series AF, due 2022	33,600	34,000
9.000% $40 million Series AG, due 2020	34,400	34,800
8.900% $40 million Series AH, due 2026	35,235	35,635
6.800% $50 million Series AI, due 2028	45,000	45,500
7.520% $75 million Series AJ, due 2032	70,500	71,250
5.441% $60 million Series AK, due 2035	57,600	58,200
5.901% $70 million Series AL, due 2037	68,600	69,300
Long-term classification of credit facilities *(Note 12)*	32,000	33,000
	441,088	446,638
Less: current installments of long-term debt	4,550	4,550
	436,538	442,088
Less: deferred debt issue costs	2,934	3,111
	$ 433,604	$ 438,977

First mortgage sinking fund bonds are secured by a first fixed and specific charge on capital assets owned or to be acquired by the Company and by a floating charge on all other assets. They require an annual sinking fund payment of 1% of the original principal balance.

Future payments required to meet sinking fund instalments, maturities of long-term debt and long-term credit facilities follow.

2009	$ 4,550,000
2010	$ 4,550,000
2011	$ 36,550,000
2012	$ 4,550,000
2013	$ 4,550,000
2014 and after	$ 386,338,000

14. Other Liabilities

	2008	2007
Security deposits	$ 785	$ 612
OPEBs liability *(Note 16)*	41,074	34,527
Defined benefit pension liability - unfunded *(Note 16)*	1,480	1,485
Defined contribution pension liability *(Note 16)*	1,662	1,458
	$ 45,001	$ 38,082

Security deposits are advance cash collections from certain customers to guarantee the payment of electricity bills. The security deposit liability includes interest credited to customer deposits. The current portion of security deposits is reported in accounts payable and accrued charges.

15. Supplementary Information to Statements of Cash Flows

	2008	2007
Interest paid	$ 33,794	$ 34,099
Income taxes paid	$ 8,665	$ 11,957
Employee future benefits paid	$ 1,175	$ 1,120

16. Employee Future Benefits

The Company's defined contribution plans are its individual and group registered retirement savings plans, and an unfunded supplementary employee retirement plan ("SERP"). Benefits are based upon employee earnings. The accrued benefit liability for the SERP is included in other liabilities on the Company's balance sheets (Note 14). During 2008, the Company expensed approximately $1.0 million (2007 - $1.0 million) related to these plans.

The Company's defined benefit plans are its funded defined benefit pension plan, an unfunded pension uniformity plan ("PUP") and OPEBs. Both pension plans are closed to new entrants and provide benefits based on a percentage of the highest 36 consecutive months average base earnings and the employee's years of service.

The accrued benefit obligation for all of the Company's defined benefit plans, and the market-related value of plan assets for the Company's funded primary defined benefit pension plan, are measured for accounting purposes as at December 31 of each year.

The most recent actuarial valuation of the Company's defined benefit pension plans for funding purposes was as of December 31, 2005 and the next required valuation will be performed as of December 31, 2008. The corresponding dates for the Company's OPEBs are December 31, 2007 and December 31, 2010, respectively.

The accrued benefit asset for the Company's funded primary defined benefit pension plan is included in deferred charges on the Company's balance sheets. The accrued benefits liability for the PUP is included in other liabilities.

Details of the Company's defined benefits plans follow.

	2008			2007		
		Unfunded			Unfunded	
	Funded	PUP	OPEB	Funded	PUP	OPEB
Change in accrued benefit obligation						
Balance, beginning of year	$ 235,477	$ 2,558	$ 70,411	$ 239,176	$ 2,695	$ 69,804
Current service costs	4,844	-	1,384	4,997	-	1,412
Interest cost	12,740	135	3,901	12,368	136	3,698
Benefits paid	(12,926)	(215)	(1,175)	(12,596)	(215)	(1,120)
Actuarial (gains) losses	(49,744)	(309)	(14,885)	(8,468)	(58)	(3,383)
Balance, end of year	$ 190,391	$ 2,169	$ 59,636	$ 235,477	$ 2,558	$ 70,411

	2008			2007		
		Unfunded			Unfunded	
	Funded	PUP	OPEB	Funded	PUP	OPEB
Change in fair value of plan assets						
Balance, beginning of year	$ 259,731	$ -	$ -	$ 250,226	$ -	$ -
Return on assets	19,169	-	-	17,694	-	-
Benefits paid	(12,926)	(215)	(1,175)	(12,596)	(215)	(1,120)
Actuarial (losses) gains	(59,993)	-	-	(7,714)	-	-
Employee contributions	1,193	-	-	1,216	-	-
Employer contributions	5,425	215	1,175	10,905	215	1,120
Balance, end of year	$ 212,599	$ -	$ -	$ 259,731	$ -	$ -
Funded status						
Surplus (deficit), end of year	$ 22,209	$ (2,169)	$ (59,636)	$ 24,254	$ (2,558)	$ (70,411)
Unamortized net actuarial loss	56,768	269	6,277	48,431	606	22,171
Unamortized transitional obligation	11,584	419	12,285	12,871	466	13,713
Unamortized past service costs	2,587	1	-	2,922	1	-
Accrued benefit asset (liability), end of year	$ 93,148	$ (1,480)	$ (41,074)	$ 88,478	$ (1,485)	$ (34,527)
Effect of 1% increase in health care cost trends on:						
Accrued benefit obligation	-	-	$ 8,319	-	-	$ 12,403
Service costs and interest cost	-	-	$ 1,013	-	-	$ 988
Effect of 1% decrease in health care cost trends on:						
Accrued benefit obligation	-	-	$ (6,707)	-	-	$ (9,637)
Service costs and interest cost	-	-	$ (808)	-	-	$ (749)
Significant assumptions						
Discount rate during year	5.50%	5.50%	5.50%	5.25%	5.25%	5.25%
Discount rate as at December 31	7.50%	7.50%	7.50%	5.50%	5.50%	5.50%
Expected long-term rate of return on plan assets	7.50%	-	-	7.50%	-	-
Rate of compensation increases	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Health care cost trend increases as at December 31	-	-	4.50%	-	-	4.50%
Expected average remaining service of active employees	12 years	12 years	15 years	13 years	13 years	15 years
Net benefit expense						
Current service costs	$ 3,651	$ -	$ 1,384	$ 3,781	$ -	$ 1,412
Interest cost	12,740	135	3,901	12,368	136	3,698
Expected return on plan assets	(19,169)	-	-	(17,694)	-	-
Amortization of transitional obligation	1,287	47	1,428	1,287	47	1,428
Amortization of net actuarial loss	1,911	28	1,009	3,168	31	1,327
Amortization of past service costs	335	-	-	335	-	-
Regulatory adjustment *(Note 4)*	1,128	-	(6,547)	1,128	-	(6,745)
Net benefit expense	$ 1,883	$ 210	$ 1,175	$ 4,373	$ 214	$ 1,120
Asset allocation						
Fixed income	48%	-	-	38%	-	-
Equities	32%	-	-	44%	-	-
Foreign equities	20%	-	-	18%	-	-

17. Capital Management

Newfoundland Power's primary objectives when managing capital are (i) to ensure continued access to capital at reasonable cost, and (ii) to provide an adequate return to its common shareholder commensurate with the level of risk associated with the shareholder's investment in the Company.

The Company requires ongoing access to capital because its business is capital intensive. Capital investment is required to ensure continued and enhanced performance, reliability and safety of its electricity system and to meet customer growth.

The Company operates under cost of service regulation. The cost of capital is ultimately borne by its customers. Access to capital at reasonable cost is a core aspect of the Company's business strategy, which is to operate a sound electricity system and to focus on the safe and reliable delivery of electricity service to its customers in the most cost-efficient manner possible.

The capital managed by the Company is composed of debt (first mortgage sinking fund bonds, bank credit facilities and cash/bank indebtedness), common equity (common shares and retained earnings) and preferred equity.

The Company has historically generated sufficient cash flows from operating activities to service interest and sinking fund payments on debt, to pay dividends and to finance a major portion of its capital expenditure programs. Additional financing to fully fund capital expenditure programs is obtained through the Company's bank credit facilities and these borrowings are periodically refinanced along with any maturing bonds through the issuance of additional bonds. These basic cash flow and capital management dynamics are consistent with previous periods and are currently not expected to change materially over the foreseeable future.

Newfoundland Power endeavours to maintain a capital structure comprised of approximately 55% debt and 45% equity. This capital structure is reflected in customer rates. It is also consistent with the Company's current investment grade credit ratings, thereby ensuring continued access to capital at reasonable cost. Newfoundland Power maintains this capital structure primarily by managing its common share dividends.

A summary of the Company's capital structure follows.

	December 31, 2008		December 31, 2007	
	$	%	$	%
Debt	437,535	53.3	442,460	54.7
Common equity	373,738	45.5	356,671	44.1
Preferred equity	9,352	1.2	9,352	1.2
	820,625	100.0	808,483	100.0

The issuance of debt with a maturity that exceeds one year requires the prior approval of the Company's regulator. The issuance of first mortgage sinking fund bonds is subject to an earnings covenant whereby the ratio of (i) annual earnings applicable to common shares, before bond interest and tax, to (ii) annual bond interest incurred plus annual bond interest to be incurred on the contemplated bond issue, must be two times or higher. Under its committed credit facility, the Company must also ensure that its Debt to Capitalization ratio does not exceed 0.65:1.00 at any time. During the year end at December 31, 2008 the Company was in compliance with all of its debt covenants.

18. Financial Instruments

The Company's financial instruments and their designations are (i) held for trading: cash; (ii) loans and receivables: accounts receivable and customer finance plans; and, (iii) other financial liabilities: short-term borrowings, accounts payable and accrued charges, security deposits, due to related party and long-term debt, including current portion.

Carrying Values: Cash is carried at fair value. The carrying value of long-term debt, including current portion, is measured at amortized cost using the effective interest method and is net of unamortized debt issue costs. The carrying value of the remaining financial instruments approximates amortized cost.

Fair Values: The fair value of long-term debt, including current portion, is calculated by discounting the future cash flows of each debt instrument at the estimated yield-to-maturity for the same or similar debt instruments at the balance

sheet date. Since the Company does not intend to settle its debt instruments before maturity, the fair value estimate does not represent an actual liability and, therefore, does not include exchange or settlement costs.

The estimated fair value of the Company's first mortgage sinking fund bonds was $505.1 million at December 31, 2008 and $512.5 million at December 31, 2007.

The fair value of the Company's remaining financial instruments approximates their carrying value, reflecting either their nature, short-term maturity or normal trade credit terms.

Credit Risk: There is risk that Newfoundland Power may not be able to collect all of its accounts receivable and amounts owing under its customer finance plans. These financial instruments, which arise in the normal course of business, do not represent a significant concentration of credit risk as amounts are owed by a large number of customers on normal credit terms. The requirement for security deposits for certain customers, which are advance cash collections from customers to guarantee payment of electricity billings, further reduces the exposure to credit risk. The maximum exposure to credit risk is the net carrying value of these financial instruments.

Newfoundland Power manages credit risk primarily by executing its credit and collection policy, including the requirement for security deposits, through the resources of its Customer Relations Department.

The aging of accounts receivable and amounts owing under customer finance plans at December 31, 2008, follows.

	December 31, 2008
Not past due	$ 34,275
Past due 1-30 days	27,268
Past due 31-60 days	3,633
Past due 61-90 days	957
Past due over 90 days	423
	66,556
Less: allowance for doubtful accounts	(1,272)
	$ 65,284

Liquidity Risk: The Company's financial position could be adversely affected if it failed to arrange sufficient and cost-effective financing to fund, among other things, capital expenditures, repayment of maturing debt, and pension funding obligations.

The ability to arrange such financing is subject to numerous factors, including the results of operations and financial position of the Company, conditions in the capital and bank credit markets, ratings assigned by ratings agencies and general economic conditions. These factors are mitigated by the legal requirement as outlined in the Electrical Power Control Act which requires rates be set to enable the Company to achieve and maintain a sound credit rating in the financial markets of the world.

Newfoundland Power manages short-term liquidity risk primarily by maintaining bank credit facilities. The Company has unsecured facilities of $120 million, comprised of a syndicated $100 million committed revolving term credit facility and a $20 million demand facility.

Newfoundland Power manages long-term liquidity risk primarily by maintaining its investment grade credit ratings. See Note 17.

As at December 31, 2008, the fair value of the Company's primary defined benefit pension plan assets was $212.6 million compared to fair value of plan assets of $259.7 million as at December 31, 2007. The decrease in the fair value of pension plan assets during 2008 was mainly the result of unfavourable market conditions in 2008. The decline in pension plan assets is currently expected to increase the Company's future pension funding obligations. The amount of the increase will not be determinable until completion of next actuarial valuation. The next scheduled actuarial valuation is as at December 31, 2008 and this valuation is expected to occur in the first quarter of 2009. The Company does not expect any difficulty in its ability to meet future pension funding requirements as it expects the amounts will be financed from a combination of cash generated from operations and amounts available for borrowing under existing credit facilities.

The contractual maturities of the Company's financial liabilities at December 31, 2008 follow.

	Total	2009	2010-2011	2012-2013	2014 Oward
Accounts payable and accrued charges	65.5	65.5	-	-	-
Security deposits	1.3	0.5	0.8	-	-
Credit facilities (unsecured)	32.0	-	32.0	-	-
First mortgage sinking fund bonds[7]	409.1	4.6	9.1	9.1	386.3
	507.9	70.6	41.9	9.1	386.3

[7] *First mortgage sinking fund bonds are secured by a first fixed and specific charge on capital assets owned or to be acquired by the Company and carry customary covenants.*

Market Risk: Exposure to foreign exchange rate fluctuations is immaterial.

Market driven changes in interest rates and changes in the Company's credit ratings can cause fluctuations in interest costs associated with the Company's bank credit facilities. Each level of change in the Company's credit ratings causes a 25 basis points change in the interest rate on the Company's committed revolving term credit facility. For the year ended December 31, 2008, each 25 basis points change in interest rates on the Company's credit facilities would have caused a $73,000 change in credit facility interest costs and a $49,000 change in earnings (2007 - $84,000 and $56,000, respectively).

The Company periodically refinances its credit facilities in the normal course with fixed-rate first mortgage sinking fund bonds, which comprised approximately 93% of its total debt at December 31, 2008, thereby mitigating exposure to interest rate changes.

Changes in interest rates and/or changes in the Company's credit ratings can affect the interest rate on first mortgage sinking fund bonds at the time of issue. No bonds were issued for the twelve month period ended December 31, 2008.

The Company's defined benefit pension plan is impacted by economic conditions. There is no assurance that the pension plan assets will earn the expected long-term rate of return in the future. Market driven changes impacting the performance of the pension plan assets may result in material variations in actual return on pension plan assets from the expected long-term return on the assets. This may cause material changes in future pension liabilities and pension expense. Market driven changes impacting the discount rate may also result in material variations in future pension liabilities and pension expense.

19. Commitments

The Company is obligated to provide service to customers, resulting in ongoing capital expenditure commitments. Capital expenditures are subject to PUB approval. The Company's 2009 capital plan provides for capital expenditures of approximately $61.6 million.

20. Comparative Figures

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.

Ten Year Summary

	2008	2007[1]	2006[1]	2005[1]	2004	2003	2002	2001	2000	1999
Income Statement Items *($thousands)*										
Revenue	516,889	491,709	422,405	419,963	404,447	384,150	369,627	359,305	348,413	342,001
Purchased power	336,658	326,778	257,157	255,954	244,012	227,964	210,764	202,479	199,266	192,755
Operating, pension and ERP costs	50,172	53,202	53,996	53,812	51,755	51,799	50,767	52,908	52,486	52,709
Amortization of capital assets[2]	44,511	34,162	33,129	32,143	30,987	29,372	35,442	34,003	29,625	29,638
Finance charges	33,507	34,939	33,819	31,369	30,393	30,009	26,853	26,700	26,641	26,488
Income taxes	19,146	12,176	13,639	15,368	15,586	14,945	16,381	13,730	13,296	16,927
Earnings applicable to common shares	32,341	29,866	30,078	30,729	31,122	29,460	28,807	28,862	26,473	22,858
Balance Sheet Items *($thousands)*										
Property, plant and equipment	1,219,066	1,173,642	1,119,820	1,085,106	1,050,913	1,009,448	949,478	914,735	865,406	844,598
Accumulated amortization	444,109	422,848	402,683	387,815	420,836	407,319	381,003	369,659	353,078	344,506
Net capital assets	774,957	750,794	717,137	697,291	630,077	602,129	568,475	545,076	512,328	500,092
Total assets	1,001,855	985,930	929,158	889,013	825,310	744,375	704,598	667,289	628,252	608,336
Long-term debt[3]	438,154	443,527	414,489	395,298	328,558	332,208	335,858	263,758	280,158	283,208
Preference shares	9,352	9,352	9,353	9,410	9,417	9,429	9,709	9,709	9,890	9,890
Common equity	373,738	356,671	335,887	323,972	316,360	299,480	279,515	260,203	250,331	242,848
Total capital	821,244	809,550	759,729	728,680	654,335	641,117	625,082	533,670	540,379	535,946
Operating Statistics *(GWh)*										
Sources of Electricity (normalized)										
Purchased	5,088	5,013	4,876	4,873	4,841	4,725	4,604	4,495	4,432	4,292
Generated	426	381	417	426	424	425	424	416	423	450
Total	5,514	5,394	5,293	5,299	5,265	5,150	5,028	4,911	4,855	4,742
Sales (normalized)										
Residential	3,130	3,044	2,981	2,987	2,972	2,909	2,843	2,775	2,707	2,672
Commercial and street lighting	2,078	2,049	2,014	2,017	2,007	1,973	1,922	1,892	1,848	1,828
Total	5,208	5,093	4,995	5,004	4,979	4,882	4,765	4,667	4,555	4,500
Electricity sales per employee	9.5	9.2	9.0	9.0	8.3	8.1	7.8	7.5	6.9	6.4
Customers *(year-end)*										
Residential	204,204	201,045	198,568	196,412	193,912	191,314	188,925	186,828	185,287	183,921
Commercial and street lighting	31,574	31,217	30,932	30,889	30,552	30,339	30,147	30,051	29,923	29,720
Total	235,778	232,262	229,500	227,301	224,464	221,653	219,072	216,879	215,210	213,641
Operating cost per customer ($)[4]	208	213	212	218	220	225	223	231	230	235
Number of regular full-time employees	551	555	552	556	599	606	610	626	656	703

[1] *Certain comparative figures have been reclassified to conform with current year presentation.*

[2] *Amount for 2007 and 2006 is net of a regulatory deferral of $5.8 million, as approved by the PUB.*

[3] *Net of deferred financing charges in 2008 and 2007.*

[4] *Operating cost per customer is calculated excluding pension and early retirement program costs.*

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Bartlett Enterprises Inc.
Grand Falls-Windsor,
Newfoundland & Labrador

Frank Davis
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Newfoundland & Labrador

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St. John's,
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St. John's,
Newfoundland & Labrador

Executive Team

Jocelyn Perry, Vice President, Finance and Chief Financial Officer

Gary Smith, Vice President, Engineering and Operations

Earl Ludlow, President and Chief Executive Officer

Lisa Hutchens, Vice President, Customer Relations and Corporate Services

Peter Alteen, Vice President, Regulatory Affairs and General Counsel

Connected to our Communities

We are proud that community groups throughout the province can count on us for support. We were pleased to provide financial, in-kind and hands-on assistance to the following organizations and many more in 2008:

Health

The Dr. H. Bliss Murphy Cancer Care Foundation, PRIORITY: The Campaign for Cancer Care, The Burin Peninsula Health Care Foundation, The Western Memorial Health Care Foundation, The Children's Wish Foundation, The Newfoundland & Labrador Down Syndrome Society, Juvenile Diabetes Research Foundation, The Arthritis Society (Newfoundland and Labrador Division), Alzheimer Society of Newfoundland & Labrador, Trinity Conception Placentia Health Care Foundation, Janeway Children's Hospital Foundation, Newfoundland & Labrador Region of the Canadian Red Cross, Community Food Sharing Association, Coats for Kids, Learning Disabilities Association of Newfoundland & Labrador, Heart and Stroke Foundation of Newfoundland & Labrador, Canadian Blood Services, Canadian Mental Health Association, The HUB

Safety

Newfoundland and Labrador Association of Fire Services, Firefighter Electricity Safety Training, Learn Not to Burn Program, Child Find Newfoundland & Labrador, School Electricity Safety Program, Safety Services Newfoundland Labrador, Newfoundland & Labrador Crime Stoppers, Newfoundland & Labrador Snowmobile Federation, Triple Bay Eagles Ground Search and Rescue

Environment

Atlantic Salmon Federation, Tree Canada, Newfoundland & Labrador Home Builders' Association, Thomas Howe Demonstration Forest, Trans Canada Trail Foundation, Marystown Community Pride, Rennies River Development Foundation

Education & Youth

Junior Achievement of Newfoundland & Labrador, Memorial University of Newfoundland, College of the North Atlantic, Newfoundland & Labrador Science Centre, Newfoundland & Labrador High School Athletic Federation, Scouts Canada, Church Lads' Brigade, Newfoundland School for the Deaf, Special Olympics, Newfoundland and Labrador Summer Games

Arts & Culture

Newfoundland Symphony Orchestra, Kiwanis Music Festival Association, Resource Centre for the Arts

Investor Information

Head Office
55 Kenmount Road, P.O. Box 8910
St. John's, NL A1B 3P6
Tel: (709) 737-2802
Fax: (709) 737-5300

Share Transfer Agent and Registrar
Computershare Trust Company of Canada
1500 University Street, Suite 700
Montreal, QC H3A 3S8
Tel: (514) 982-7888
Fax: (514) 982-7635
computershare.com

Annual General Meeting
Wednesday, May 6, 2009 at 8:00 a.m.
Main Boardroom, 3rd Floor
Newfoundland Power Inc.
55 Kenmount Road
St. John's, NL A1B 3P6

Investor Information
Peter Alteen, Corporate Secretary
55 Kenmount Road, P.O. Box 8910
St. John's, NL A1B 3P6
Tel: (709) 737-5859
palteen@newfoundlandpower.com

Website
newfoundlandpower.com

Email
contactus@newfoundlandpower.com

Fortis Websites
Fortis Inc.
fortisinc.com
FortisAlberta Inc.
fortisalberta.com
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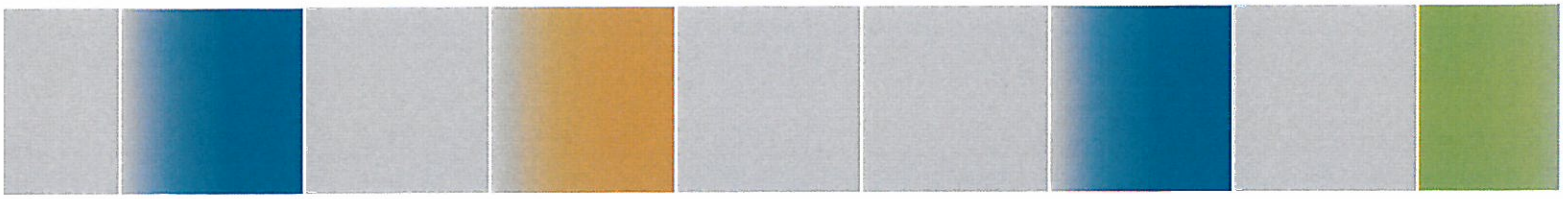

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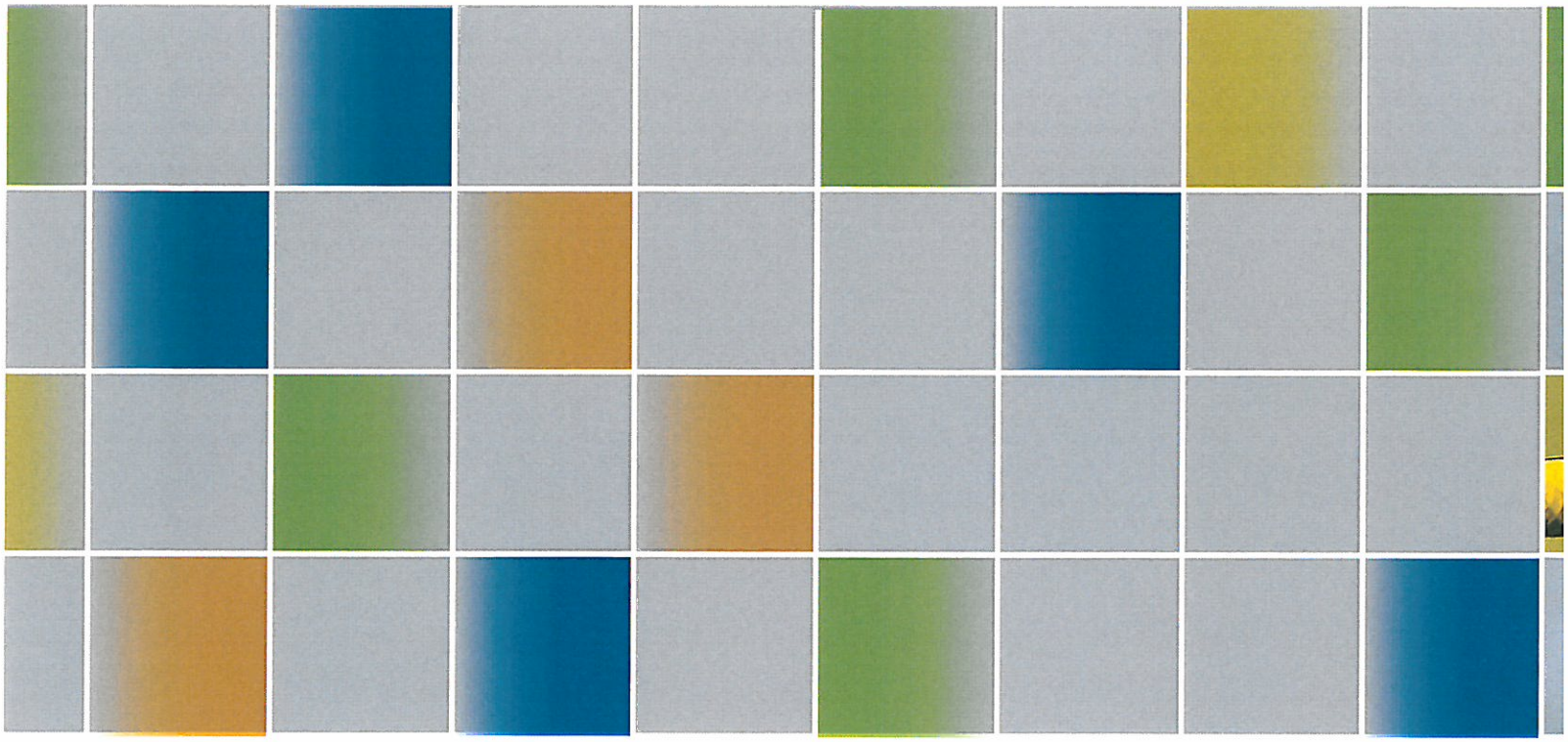
Corporate Communications
Newfoundland Power Inc.

Printing

Dicks and Company Limited, St. John's, NL



Newfoundland Power Inc.

P.O. Box 8910
St. John's, NL
A1B 3P6

newfoundlandpower.com

IN THE MATTER OF
the 2008 Annual Returns
of Newfoundland Power
Inc. filed pursuant to
Section 59(2) of the
Public Utilities Act.

AFFIDAVIT

I, Jocelyn Perry, of the Town of Conception Bay South in the Province of Newfoundland and Labrador, Chartered Accountant, make oath and say as follows:

1. That I am Vice-President, Finance and Chief Financial Officer of Newfoundland Power Inc.

2. That to the best of my knowledge, information and belief, the information contained in the 2008 Annual Report and accompanying returns of Newfoundland Power Inc., filed with the Board of Commissioners of Public Utilities pursuant to section 59(2) of the *Public Utilities Act* is true and accurate.

SWORN to before me at St. John's
in the Province of Newfoundland and Labrador
this 1st day of April, 2009:

Barrister – Newfoundland & Labrador

Jocelyn Perry

Newfoundland Power Inc.
Names and Addresses of Officers and Directors
as of December 31, 2008

Name	Address	Position Held
Peter Alteen	38 Mansfield Crescent St. John's, NL A1E 5E3	Vice President, Regulatory Affairs and General Counsel; Corporate Secretary
Peggy Bartlett	173 Grenfell Heights Grand Falls-Windsor, NL A2A 2J7	Director
Frank Davis	2 Crabapple Place St. John's, NL A1A 5L7	Director
E.M. (Ed) Drover	44 Long Pond Road St. John’s, NL A1B 1N7	Director
Chris Griffiths	27 Knapps Road St. Philip's, NL A1M 2A6	Director
Georgina Hedges	5 Burden’s Road Eastport, NL A0G 1Z0	Director
Lisa Hutchens	88 Marine Drive Logy Bay-Middle Cove-Outer Cove, NL A1K 3C7	Vice President, Customer Relations and Corporate Services
Earl Ludlow	33 Ortega Drive Paradise, NL A1L 2L1	President and Chief Executive Officer; Director
David Norris	23 Mountbatten Drive St. John's, NL A1A 3Y1	Chair, Board of Directors

Newfoundland Power Inc.
Names and Addresses of Officers and Directors
as of December 31, 2008

Name	Address	Position Held
Fred O'Brien	389 Church Street Alberton, PEI C0B 1B0	Director
Barry Perry	14 Collingwood Crescent Mount Pearl, NL A1N 5C6	Director
Jocelyn Perry	6 Maple Street Conception Bay South, NL A1W 5M8	Vice President, Finance and Chief Financial Officer
Bruce Simmons	1 Hammond Drive Little Rapids, NL A2H 2W1	Director
Gary Smith	89 Cheyne Drive St. John's, NL A1A 5W5	Vice President, Engineering and Operations
John Walker	617 Almandine Court Kelowna, BC V1W 4Z5	Director
Jo Mark Zurel	16 Regent Street St. John's, NL A1A 5A4	Director

Newfoundland Power Inc.
Computation of Average Rate Base
For The Year Ended December 31, 2008
($000's)

		2008	2007[1]
1	**Net Plant Investment**		
2	Plant Investment - Return 4	1,286,039	1,239,186
3	Accumulated Amortization - Return 6	(539,654)	(516,478)
4	Contributions in Aid of Construction - Return 7	(25,884)	(24,217)
5		720,501	698,491
6			
7	**Additions to Rate Base**		
8	Deferred Charges - Return 8	100,723	96,850
9	Deferred Energy Replacement Costs - Return 9	766	1,147
10	Amortization True-up Deferral - Return 9	7,724	11,586
11	Customer Finance Programs - Return 10	1,776	1,811
12	Weather Normalization Reserve - Return 17	5,910	10,516
13		116,899	121,910
14			
15	**Deductions from Rate Base**		
16	Municipal Tax Liability - Return 9	2,727	4,089
17	Unrecognized 2005 Unbilled Revenue - Return 9	9,236	16,446
18	Customer Security Deposits - Return 10	785	612
19	Accrued Pension Obligation - Return 10	3,142	2,943
20	Future Income Taxes - Return 23	1,184	-
21	Demand Management Incentive Account - Return 18	426	-
22	Purchased Power Unit Cost Variance Reserve - Return 19	895	1,650
23		18,395	25,740
24			
25	**Year End Rate Base**	819,005	794,661
26			
27	**Average Rate Base Before Allowances**	806,833	777,494
28			
29	**Rate Base Allowances**		
30	Materials and Supplies Allowance - Return 11	4,327	4,393
31	Cash Working Capital Allowance - Return 12	9,716	6,669
32			
33	**Average Rate Base at Year End**	820,876	788,556
34			
35			

36 [1] To calculate the 2008 average rate base, the computation of the 2007 rate base has been restated to reflect the
37 methodology approved in Order No. P.U. 32 (2007).

Newfoundland Power Inc.
Plant Investment
For The Year Ended December 31, 2008
($000's)

		Opening Balance	Adjustments[1]	Additions	Retirements	Year End Balance
1	Power Generation					
2	Hydro	135,940	(426)	3,791	712	138,593
3	Diesel	3,005	-	-	-	3,005
4	Gas Turbine	17,585	-	315	1	17,899
5		156,530	(426)	4,106	713	159,497
6						
7	Substations	127,551	338	6,616	1,036	133,469
8	Transmission	93,836	(9)	5,672	1,233	98,266
9	Distribution	706,868	94	36,676	5,707	737,931
10	General Property	49,229	3	1,757	353	50,636
11	Transportation	22,031	-	2,494	2,057	22,468
12	Communications	10,516	-	278	206	10,588
13	Computer Software	30,628	-	2,251	1,891	30,988
14	Computer Hardware	9,583	-	1,653	1,549	9,687
15	Government Contributions	23,109	-	-	-	23,109
16		1,073,351	426	57,397	14,032	1,117,142
17						
18	Total Depreciable Plant	1,229,881	-	61,503	14,745	1,276,639
19						
20	Non Depreciable Land	9,305	-	95	-	9,400
21						
22	Plant Investment Included In Rate Base	1,239,186	-	61,598	14,745	1,286,039
23						
24	Construction Work In Progress					2,126
25						
26	Total Plant Investment[2]					1,288,165
27						
28						
29						
30						

31 [1] Adjustments are due to asset reclasssification and redistribution of original cost based on final project details.

32 [2] A reconciliation of the Total Plant Investment used in the calculation of average rate base for 2008 to the plant investment shown in
33 in Return 1 is as follows:

34

35	2008 Capital Assets shown in Return 1 (Note 7 to Financial Statements)	1,219,066
36	Add: Contributions in Aid of Construction - Return 7	73,468
37	Deduct: Inventories Included in Plant Investment for Financial Reporting purposes	(4,369)
38	2008 Total Plant Investment	1,288,165

Newfoundland Power Inc.
Capital Expenditure
For The Year Ended December 31, 2008
($000's)

	Approved By Board[1]	Actual	Variance[2]
Generation			
Hydro	3,385	3,619	234
Thermal	100	301	201
	3,485	3,920	435
Substations	7,177	7,095	(82)
Transmission	4,978	5,316	338
Distribution	28,566	37,053	8,487
General Property	977	1,073	96
Transportation	2,214	2,384	170
Telecommunications	224	266	42
Information Systems	3,607	3,734	127
Unforeseen	1,150	400	(750)
General Expenses Capital	2,800	2,765	(35)
	55,178	64,006	8,828
Carryover From Prior Years		764	

'1 Order Nos. P.U 27 (2007), P.U. 3 (2008), P.U. 18 (2008), P.U. 19 (2008) and P.U. 24 (2008).

[2] Variance explanations are provided in Newfoundland Power Inc.'s 2008 Capital Expenditure Report filed with the Board on February 27, 2009.

Newfoundland Power Inc.
Accumulated Amortization
For The Year Ended December 31, 2008
($000's)

1	Opening Balance - January 1, 2008	516,478
2		
3	Add:	
4	Amortization of Fixed Assets[1]	40,649
5	Amortization of Contributions - Government - Return 7	94
6	Amortization of Contributions - Customers - Return 7	1,290
7	Salvage	393
8		42,426
9		
10		
11	Deduct:	
12	Cost of Removal (Net of Income Tax)	4,505
13	Retirements	14,745
14		19,250
15		
16	Closing Balance - December 31, 2008[2]	539,654
17		
18		
19		
20		

21 [1] The amortization rates for 2008 are from the 2006 Depreciation Study based on plant
22 in service at December 31, 2005 and approved in Order No. P.U. 32 (2007).

24	Hydro	2.17%
25	Diesel	4.28%
26	Gas Turbine	4.81%
27	Substations	2.63%
28	Transmission	3.28%
29	Distribution	3.14%
30	General Property	2.94%
31	Transportation	10.28%
32	Telecommunications	6.18%
33	Computer Software	10.00%
34	Computer Hardware	20.00%

35
36 [2] The accumulated amortization shown in Return 1 (Note 7 to the Financial Statements)
37 is before adjustment for contributions in aid of construction and site restoration costs.
38

39	Accumulated Amortization shown in Return 1 (Note 7)	444,109
40	Add: Amortization of Contributions - Return 7	47,584
41	Add: Site Restoration Costs - Return 1 (Note 4)	47,961
42	2008 Accumulated Amortization for Average Rate Base	539,654

Newfoundland Power Inc.
Contributions in Aid of Construction
For The Year Ended December 31, 2008
($000's)

		Customers	Government	Total
1	Gross Contributions to January 1, 2008	47,309	23,108	70,417
2				
3	Add: Contributions Received in 2008	3,051	-	3,051
4				
5	Gross Contributions to December 31, 2008	50,360	23,108	73,468
6				
7				
8	Amortizations to January 1, 2008	23,811	22,389	46,200
9				
10	Add: Amortization in 2008	1,290	94	1,384
11				
12	Amortizations to December 31, 2008	25,101	22,483	47,584
13				
14				
15	Unamortized Contributions to December 31, 2008	25,259	625	25,884

Newfoundland Power Inc.
Deferred Charges
For The Year Ended December 31, 2008
($000's)

		Balance January 1 2008	Additions During 2008	Reductions During 2008	Balance December 31 2008
1	Deferred Pension Costs[1]	96,654	5,425	1,883	100,196
2					
3	Capital Stock Issue Expenses	137	-	62	75
4					
5	Deferred Credit Facility Issue Costs[2]	59	50	59	50
6					
7	Deferred Hearing Costs[3]	603	-	201	402
8					
9	Deferred Charges Included in Rate Base	97,453 [4]	5,475	2,205	100,723
10					
11					
12					
13					

14 [1] The December 31, 2008 balance includes $7.0 million in pension costs associated with the 2005 Early Retirement Program. These
15 pension costs were originally $11.3 million and are being amortized over ten years, beginning April 1, 2005.
16
17 [2] Newfoundland Power incurred $50,000 in costs in 2008 associated with the amendment of its Comitted Credit Facility.
18 The amendment was approved in Order No. P.U. 22 (2008).
19
20 [3] The Board approved a 3-year amortization of hearing costs associated with its 2008 General Rate Application in Order No. P.U. 32 (2007).
21
22 [4] Deferred charges included in rate base for 2007 is $96,850,000 as shown in Return 3. This differs from the January 1, 2008 balance
23 of $97,453,000 shown above because the 2007 deferred charges did not include $603,000 of deferred hearing costs.

Newfoundland Power Inc.
Regulatory Deferrals
For The Year Ended December 31, 2008
($000's)

		Balance January 1 2008	2008 Amortization		Balance December 31 2008
1	**Cost Recovery Deferrals**[1]				
2	Deferred Energy Replacement Costs	1,147	381		766
3	Amortization True-up Deferral	11,586	3,862		7,724
4					
5	**Revenue Deferrals**[1]				
6	Municipal Tax Liability	4,089	1,362		2,727
7	Unrecognized 2005 Unbilled Revenue	16,446	7,210	[2]	9,236
8					
9					
10					
11					

12 [1] In Order No. P.U. 32 (2007), the Board approved a 3-year amortization of these cost recovery and revenue deferrals.
13
14 [2] In Order No. P.U. 32 (2007), the Board approved (i) the recognition of $2,592,000 of the 2005 Unbilled
15 Revenue to offset the 2008 tax settlement payment; and (ii) the amortization over a 3-year
16 period of the remaining balance of the 2005 Unbilled Revenue of $13,854,000 or $4,618,000 per year.

Newfoundland Power Inc.
Other Rate Base Assets and Liabilities
For The Year Ended December 31, 2008
($000's)

		Balance January 1 2008	Change During 2008	Balance December 31 2008
1	**Assets**			
2	Customer Finance Programs[1]	1,811	(35)	1,776
3				
4	**Liabilities**			
5	Accrued Pension Obligation[2]	2,943	199	3,142
6				
7	Customer Security Deposits[3]	612	173	785
8				
9				
10				

11 [1] Comprised of loans provided to customers related to customer conservation programs and contributions in aid of construction.

12

13 [2] Executive and Senior Management supplemental pension benefits comprised of a defined benefit plan (PUP) and a defined contribution
14 plan (SERP). The PUP was closed to new entrants in 1999.

15

16 [3] Security deposits received from customers for electrical service in accordance with the Board-approved Schedule of Rates, Rules and Regulations.

Newfoundland Power Inc.
Materials and Supplies Allowance
For The Year Ended December 31, 2008
($000's)

		2008[1]	2007
1	Opening - January 1, 2008	5,248	-
2	January	5,356	4,906
3	February	5,543	5,210
4	March	5,663	5,791
5	April	5,365	5,702
6	May	5,448	5,661
7	June	5,562	5,322
8	July	5,271	5,291
9	August	5,369	5,352
10	September	5,191	5,300
11	October	5,249	5,310
12	November	5,145	5,428
13	December	5,391	5,248
14	Total	69,801	64,521
15			
16	Average	5,369	5,377
17			
18	Less: Expansion (19.4%)	1,042	984 [2]
19			
20	Materials and Supplies Allowance	4,327	4,393
21			
22			

23 [1] The 2008 materials and supplies allowance calculation reflects a 13-month average
24 as approved by the Board in Order No. P.U. 32 (2007).
25
26 [2] The expansion factor used in 2007 was 18.3%.

Newfoundland Power Inc.
Cash Working Capital Allowance
For The Year Ended December 31, 2008
($000's)

		2008[1]	2007
1	Gross Operating Costs	382,799 [2]	379,980
2	Income Taxes - Return 22	20,131	12,432
3	Muncipal Taxes Paid	12,394	-
4	Non-regulated Expenses (net of income taxes)	(995)	(111)
5			
6	Total operating expenses	414,329	392,301
7			
8	Cash Working Capital Factor	2.1%	1.7%
9		8,701	6,669
10			
11	HST Adjustment	1,015	-
12			
13	Cash Working Capital Allowance	9,716	6,669
14			
15			
16			

17 [1] The 2008 cash working capital allowance is calculated based on the method used to calculate
18 the 2008 Test Year average rate base approved by the Board in Order No. P.U. 32 (2007).
19
20 [2] In accordance with the methodology approved in Order No. P.U. 32 (2007), gross operating
21 costs for 2008 used in the calculation of the 2008 cash working capital allowance are net of
non-cash related amortizations.

Newfoundland Power Inc.
Return on Average Rate Base
For The Year Ended December 31, 2008
($000's)

		2008[1]	2007
1	Net Earnings from Return 1	32,895	30,452
2	Add: Non-regulated (net of income taxes)	995	111
3		33,890	30,563
4			
5	Finance Costs		
6	Interest on Long-term Debt	32,334	33,718
7	Other Interest	1,456	1,525
8	Amortization of Capital Stock Issue Expenses	-	62
9	Amortization of Debt Issue Expenses	235	256
10	Interest Earned[2]	-	(1,477)
11	AFUDC	(618)	(622)
12		33,407	33,462
13			
14	Regulated Earnings	67,297	64,025
15			
16	Average Rate Base from Return 3	820,876	793,703
17			
18	Rate of Return on Average Rate Base	8.20%	8.07%
19			
20			
21	Average Rate Base from Return 3	820,876	793,703
22			
23	Upper Limit of the Allowed Range of Return on Average Rate Base[3]	8.55%	8.65%
24			
25	Upper Limit of Allowed Regulated Earnings	70,185	68,655
26			
27	Regulated Earnings	67,297	64,025
28			
29	Excess Revenue net of Income Taxes	-	-
30			
31	Income Taxes	-	-
32			
33	Excess Revenue	-	-
34			
35			

36 [1] The 2008 return on average rate base is calculated in accordance with the methodology approved
37 in Order No. P.U 32 (2007).
38
39 [2] Beginning in 2008, interest earned is classified as a component of other revenue. Prior to 2008,
interest earned reduced financing costs.
40
41 [3] Order No. P.U. 32 (2007).

Newfoundland Power Inc.
Details of Normalized Sales and Revenue
For The Year Ended December 31, 2008
($000's)

			2008			2007		
			Gigawatt Hours	Year End Customer Accounts	Revenue	Gigawatt Hours	Year End Customer Accounts	Revenue
1	**Revenue From Rates**							
1	Domestic	1.1	3,130.3	204,204	302,916	3,044.4	201,045	284,113
2								
3	General Service:							
4	0 - 10 kW	2.1	88.8	11,920	11,742	90.9	11,826	12,043
5	10 - 100 kW	2.2	641.8	8,626	63,129	629.2	8,509	62,237
6	110 - 1000 kVA	2.3	878.5	1,061	72,997	864.5	1,035	70,946
7	1000 kVA and Over	2.4	432.3	65	31,208	427.6	66	29,880
8	Total General Service		2,041.4	21,672	179,076	2,012.2	21,436	175,106
9								
10	Street & Area Lighting	4.1	36.5	9,902	12,722	36.2	9,781	12,214
11	Forfeited Discounts		-	-	2,646	-	-	2,621
12	Revenue From Rates		5,208.2	235,778	497,360	5,092.8	232,262	474,054
13								
14	**Adjustments and Transfers**							
15	Transfer From (To) RSA [1]				(948)			3,044
16	2005 Unbilled Revenue Accrual [2]				7,210			2,714
17	Total Adjustments and Transfers				6,262			5,758
18								
19	**Other Revenue**							
20	Joint Use Revenue				8,861			8,568
21	Wheeling Revenue				615			490
22	Amortization of Municipal Tax Liability[3]				1,362			-
23	Interest on Overdue Customer Accounts[4]				1,155			1,477
24	Other Non-Electrical Revenue				1,274			1,362
25	Total Other Revenue				13,267			11,897
26								
27	**Total Revenue - Return 1**				**516,889**			**491,709**

28
29
30
31 [1] The transfer to the RSA in 2008 is related to the operation of the Energy Supply Cost Variance Adjustment ($388) as approved by the Board in
32 Order No. P.U. 32 (2007) and the 2008 Income Tax True-up adjustment ($560) approved by the Board in Order No. 10 (2008). The 2007 transfer
33 from the RSA is related to recovery of 2007 supply costs resulting from changes in Hydro's rates to Newfoundland Power.
34
35 [2] Revenue amortizations approved by the Board in Order Nos. P.U. 32 (2007) and P.U. 39 (2006).
36
37 [3] The Board approved a 3-year amortization of the municipal tax liability in Order No. P.U 32 (2007) beginning in 2008.
38
39 [4] Beginning in 2008, interest on overdue customer accounts has been classified as a component of Other Revenue. For comparison purposes,
40 Other Revenue for 2007 is restated to include interest on overdue customer accounts.

Newfoundland Power Inc.
Normalized Production and Sales Statistics
For The Year Ended December 31, 2008
($000's)

		2008	2007
1	Gigawatt Hours - Purchased	5,088.0	5,013.1
2			
3	Gigawatt Hours - Produced	425.8	381.4
4			
5			
6	Total Purchased & Produced	5,513.8	5,394.5
7			
8			
9	Gigawatt Hours - Sold & Used	5,219.9	5,104.6
10			
11			
12	Gigawatt Hours - Losses	293.9	289.9
13			
14	Losses Expressed as a Percentage of		
15	Total Purchased & Produced	5.3%	5.4%
16			
17	Purchased Power Annual Billing Demand in kW	1,074,714	1,074,714

Newfoundland Power Inc.
Rate Stabilization Account
For The Year Ended December 31, 2008
($000's)

	Month	Opening Balance	Adjustments	RSA Billed During Month	Municipal Taxes	Excess Fuel Costs	Secondary Energy Costs	Interest Costs	Transfer To (From) Nfld. Hydro	Closing Balance
1	January	1,690.0	-	(949.9)	-	16.8	(0.4)	11.8	1,010.2	1,778.5
2										
3	February	1,778.5	-	(928.0)	-	3.0	-	12.4	914.3	1,780.2
4										
5	March	1,780.2	(1,041.6) [1]	(872.0)	(11.7) [2]	2.4	(0.1)	12.4	957.1	826.7
6										
7	April	826.7	-	(822.7)	-	4.7	-	5.8	745.1	759.6
8										
9	May	759.6	-	(674.9)	-	13.5	-	5.3	634.0	737.5
10										
11	June	737.5	-	(567.9)	-	10.5	-	5.1	511.0	696.2
12										
13	July	696.2	-	(1,372.7)	-	36.1	(2.8)	4.9	2,083.2	1,444.9
14										
15	August	1,444.9	-	(2,186.0)	-	29.6	-	10.1	2,116.5	1,415.1
16										
17	September	1,415.1	-	(2,170.3)	-	124.5	-	9.9	2,156.8	1,536.0
18										
19	October	1,536.0	-	(2,434.5)	-	5.8	(0.1)	10.7	2,805.6	1,923.5
20										
21	November	1,923.5	-	(2,977.9)	-	14.9	-	13.4	3,117.5	2,091.4
22										
23	December	2,091.4	(388.7) [3]	(3,369.6)	56.0 [4]	50.6	(0.6)	14.6	4,036.3	2,490.0
24										
25			(1,430.3)	(19,326.4)	44.3	312.4	(4.0)	116.4	21,087.6	
26										
27										
28										
29										
30										
31										

[1] This is the total of the transfer of $560,000 related to the 2008 Income Tax True-up approved in Order No. P.U. 10 (2008) and $481,611 related to the disposition of the 2007 year-end balance in the Purchased Power Unit Cost Variance Reserve approved in Order No. P.U. 6 (2008).

[2] This adjustment relates to property taxes paid in 2007.

[3] This is the Energy Supply Cost Variance for 2008 approved in Order No. P.U. 32 (2007).

[4] This is the difference between total municipal taxes collected from customers through rates and the total taxes paid to municipalities for 2008.

Newfoundland Power Inc.
Weather Normalization Reserve
For The Year Ended December 31, 2008
($000's)

1	**Degree Day Normalization Reserve Transfer**	
2		
3	Revenue Adjustment	
4	Heating Degree Days	6,993
5	Cooling Degree Days	-
6	Wind Speed Adjustments	582
7	Total Revenue Adjustment	7,575
8		
9	Less : Power Purchased Adjustment	
10	Heating Degree Days	7,994
11	Cooling Degree Days	-
12	Wind Speed Adjustments	657
13	Total Power Purchased Adjustment	8,651
14		
15	Net Adjustment (Before Tax)	(1,076)
16		
17	Less: Income Tax @ 33.5%	(361)
18		
19	Net Adjustment (After Tax)	(715)
20		
21	Amortization of Weather Normalization Reserve[1]	(1,366)
22		
23	Net Transfer (To) From Degree Day Normalization Reserve	(2,081)
24		
25		
26	**Hydro Production Equalization Reserve Transfer**	
27		
28	Transfer (To) From Reserve (Before Tax)	(3,797)
29		
30	Less: Income Tax @ 33.5%	(1,272)
31		
32	Net Transfer (To) From Hydro Production Equalization Reserve	(2,525)
33		
34		
35	**Net Transfer (To) From Weather Normalization Reserve**	**(4,606)**

		Weather Normalization Account Balances		
36				
37				
38				
39				
40		**Balance at January 1**	**Net**	**Balance at December 31**
41		**2008**	**Transfers**	**2008[2]**
42				
43				
44	Degree Day Reserve	6,648	(2,081)	4,567
45	Hydro Equalization Reserve	3,868	(2,525)	1,343
46		10,516	(4,606)	5,910
47				

48 [1] This is the amortization of a non-reversing balance in the degree day normalization reserve as approved by the Board in Order No. P.U. 32 (2007).

47 [2] A positive balance in the weather normalization reserve reflects amounts to be recovered from customers in future periods. A negative
48 balance in the weather normalization reserve reflects amounts owed to customers.

Newfoundland Power Inc.
Demand Management Incentive Account
For The Year Ended December 31, 2008
($000's)

1	**Demand Management Incentive Account Transfer**	
2		
3	Demand Supply Cost Variance	(1,170)
4		
5	Demand Management Incentive[1]	529
6		
7	Supply Cost Variance Outside Deadband	(641)
8		
9	Less: Income Tax @ 33.5%	(215)
10		
11	**Net Transfer (To) From Demand Management Incentive Account**	**(426)**
12		
13		
14		
15	**Demand Management Incentive Account Balance**	
16		
17	Balance at January 1, 2008	-
18		
19	Net Transfer (To) From Demand Management Incentive Account	(426)
20		
21	Balance at December 31, 2008[2]	(426)
22		
23		
24		

25 [1] The demand management incentive of $529,000 is plus/minus 1% of test year wholesale demand charges. The Demand
26 Management Incentive Account definition was approved by the Board in Order No. P.U. 32 (2007).
27
28 [2] In accordance with Order No. P.U. 32 (2007), Newfoundland Power filed an application with the Board on
29 February 27, 2008 pertaining to the disposition of the 2008 year end balance in the Demand Management
30 Incentive Account.

Newfoundland Power Inc.
Purchased Power Unit Cost Variance Reserve
For The Year Ended December 31, 2008
($000's)

Purchased Power Unit Cost Variance Reserve Balance

Balance at January 1, 2008	(1,650)
Transfer to RSA[1]	308
2008 Amortization[2]	447
Balance at December 31, 2008	(895)

[1] In Order No. P.U. 6 (2008), the Board approved a transfer to the RSA of $308,000 for the disposition of the balance in the Purchased Power Unit Cost Variance Reserve (the "PPUCVR") related to adjustments arising from its operation in 2007.

[2] In Order No. P.U. 32 (2007), the Board approved a 3-year amortization of the 2006 year end balance in the Purchased Power Unit Cost Variance Reserve of $1,342,000. The balance in the PPUCVR will be fully amortized at December 31, 2010. Beginning in 2008, the PPUCVR has been replaced by the Demand Management Incentive Account.

Newfoundland Power Inc.
Statement of Operating & General Expenses
For The Year Ended December 31, 2008
($000's)

		2008	2007	Variances [1]
1	Operating Expenses			
2				
3	Purchased Power	336,658	326,778	9,880
4	Power Produced	2,552	2,480	72
5	Administrative and Engineering Support	5,604	5,585	19
6	Environmental Policy	398	581	(183)
7	Substations	2,123	2,311	(188)
8	Transmission	585	587	(2)
9	Distribution	6,592	6,575	17
10	Communications	1,394	1,399	(5)
11	Fleet Operating and Maintenance Expense	1,572	1,497	75
12				
13				
14		357,478	347,793	9,685
15				
16				
17	General Expenses			
18				
19	Customer Service	10,363	10,273	90
20	Financial Services	1,494	1,646	(152)
21	Information Systems	2,487	2,752	(265)
22	Pension Costs	3,040	5,567	(2,527)
23	Retirement Allowances	307	345	(38)
24	Corporate and Employee Services	13,458	13,570	(112)
25				
26				
27		31,149	34,153	(3,004)
28				
29				
30	Total Operating & General Expenses	388,627	381,946	6,681
31				
32	Less: Transfers to General Expenses Capitalized	1,797	1,966	(169)
33				
34				
35	**Total Expenses [2]**	**386,830**	**379,980**	**6,850**
36				
37				

38 [1] Variances are explained in Return 21.

40 [2] This is equal to the total of purchased power costs, operating expenses and pension costs shown in Return 1.

Newfoundland Power Inc.
Explanation of Expense Variances
2008 versus 2007
($000's)

	2008	2007	Increase (Decrease)
Total Expenses	**386,830**	**379,980**	**6,850**

Total expenses for 2008 increased by $6.8 million, or 1.8 per cent over 2007. This increase was due primarily to higher purchased power expense, offset by lower pension expense associated with a change in the discount rate.

The following is an explanation of significant variances for individual operating and general expense classes.

Purchased Power	**336,658**	**326,778**	**9,880**

The increase in Purchased Power expense in 2008 was a result of higher energy sales as well as the impact of the 2008 leap year which amounted to one extra day of purchases. In addition, the PUB ordered the deferred recovery in 2007 of the cost of replacement energy purchased during the refurbishment of the Company's Rattling Brook hydroelectric plant. This deferral was recorded in 2007 as a decrease in Purchased Power expense and is being amortized as an increase in expense equally over the period 2008-2010.

Power Produced	**2,552**	**2,480**	**72**

The increase in Power Produced cost was the result of increased expenses related to water power rental rates, snow clearing and vegetation management.

Administrative and Engineering Support	**5,604**	**5,585**	**19**

Administrative and Engineering Support costs were in line with 2007. The 2008 Administrative and Engineering Support costs were higher than 2007 due to inflation impacts. The increases in 2008 costs due to inflation were offset by the costs associated with the December 2nd 2007 sleet storm on the Bonavista Peninsula.

Environmental Policy	**398**	**581**	**(183)**

The decrease in Environmental Policy cost in 2008 was a result of lower operating cost attributable to oil spills. The decrease in cost is attributed to the lower number and volume of spills during 2008, and an accounting change in the allocation of cost to equipment retirement.

Newfoundland Power Inc.
Explanation of Expense Variances
2008 versus 2007
($000's)

	2008	2007	Increase (Decrease)
Substations	**2,123**	**2,311**	**(188)**
Substations operating costs were lower in 2008 as a result of staff being relocated to additional capital projects associated with the interconnection of two wind farms and the in-service failure of the Pierre's Brook transformer.			
Transmission	**585**	**587**	**(2)**
Transmission operating costs for 2008 were in line with costs for 2007.			
Distribution	**6,592**	**6,575**	**17**
Distribution operating costs for 2008 were in line with costs for 2007. Increases due to inflation were offset by improvements in breakdown maintenance and no significant storm damage in 2008.			
Communications	**1,394**	**1,399**	**(5)**
Communications operating costs for 2008 were in line with costs for 2007.			
Fleet Operating and Maintenance Expense	**1,572**	**1,497**	**75**
The increase in Fleet Operating and Maintenance Expense is primarily the result of higher fuel costs.			
Customer Service	**10,363**	**10,273**	**90**
Customer Service operating costs were in line with 2007. An increase in conservation and demand management (CDM) expenditures was partially offest by a reduction in uncollectible bills.			

Newfoundland Power Inc.
Explanation of Expense Variances
2008 versus 2007
($000's)

	2008	2007	Increase (Decrease)
Financial Services	**1,494**	**1,646**	**(152)**

The decrease in Financial Services cost in 2008 when compared to 2007 was a result of staff reductions following the 2007 GRA.

Information Systems	**2,487**	**2,752**	**(265)**

Information Systems operating costs were lower in 2008 as a result of changes in the payment schedule for software maintenance expenses. The 2007 Information Systems operating costs were higher than normal due to corporate website improvements and the implementation of added security features.

Pension Costs	**3,040**	**5,567**	**(2,527)**

Pension costs were lower in 2008 as a result of amortization of higher than expected returns on pension plan assets experienced during 2007, and a higher discount rate determined as at December 31, 2007 in accordance with CICA reporting requirements.

Retirement Allowances	**307**	**345**	**(38)**

The 2007 Retirement Allowances of $345,000 included $135,000 associated with the amortization of the 2005 Early Retirement Program cost. Excluding the 2005 ERP amortization, the 2008 Retirement Allowance variance was $97,000 above 2007. The increase in 2008 resulted from a higher number of severances compared with 2007.

Corporate and Employee Services	**13,458**	**13,570**	**(112)**

Lower Corporate and Employee Services costs in 2008 reflect the timing of recognition of PUB assessment expenses. This was partially offset by increased energy efficiency program advertising and increased labour costs.

General Expenses Capitalized	**1,797**	**1,966**	**(169)**

The decrease in General Expenses Capitalized (GEC) reflects reductions in those expense groupings (mostly pension costs) from which indirect allocations to GEC are derived.

Newfoundland Power Inc.
Calculation of Taxable Income and Income Tax Expense
For The Year Ended December 31, 2008
($000's)

1	Net Earnings from Return 1		32,895
2			
3	Add: Provision for current income tax	19,943	
4	Provision for prior years taxes	188	
5	Provision for future income taxes	1,184	
6	Provision for Purchased Power Unit Cost Variance Reserve (PPUCVR)	415	
7	Provision for Replacement Energy Costs	(216)	
8	Provision for Weather Normalization	(2,368)	19,146
9			
10	Net Income Before Income Taxes		52,041
11			
12	Add: Amortization of capital assets net of deferred expense	40,649	
13	Amortization of debt discount & expenses	177	
14	Amortization of capital stock issue expenses	62	
15	Amortization of credit facility costs	59	
16	Business meals & related expenses	190	
17	Special pension liability	198	
18	Replacement Energy Cost	598	
19	Revenue re: Agreement With CRA	7,513	
20	Stock option expense not deductible	367	
21	Small tools in excess of $500	175	
22	Deferred Depreciation Costs	3,862	
23	Deferred GRA Expenses	201	
24	Other non deductible costs	27	54,078
25			
26			106,119
27			
28	Less: Capital cost allowance	39,119	
29	Cumulative eligible capital	11	
30	Credit Facility Costs	50	
31	Revenue re: Agreement With CRA	7,210	
32	General expenses capitalized	2,765	
33	Interest charged to construction	618	
34	Bond issue expenses	107	
35	Deferred GRA costs	5	
36	Part VI.1 tax deduction	34,899	
37	Capital gains on sale of land included in income	59	
38	Difference in pension funding and accounting cost	2,300	87,143
39			
40	Taxable Income		18,976
41			
42	Weather Normalization deducted as future tax		2,368
43	Provision for PPUCVR		(415)
44	Income Tax - Part 1		6,357
45	Income Tax - Part VI.1		11,633
46	Provision for prior years taxes		188
47			
48	Current Income Tax Expense		20,131
49			
50	Provision for PPUCVR		415
51	Provision for Replacement Energy Costs		(216)
52	Provision for Weather Normalization		(2,368)
53	Future income tax		1,184
54			
55	Future Income Tax Provision		(985)
56			
57	Total Tax Expense		19,146

Newfoundland Power Inc.
Accumulated Future Income Taxes
For The Year Ended December 31, 2008
($000's)

Plant Investments			
Balance on January 1, 2008			-
Add: CCA claimed on all property, plant and equipment - from Return 22		39,119	
Less: Amortization expense on all property, plant and equipment (GEC excluded from post-1986 additions)		37,135	
Difference		1,984	
Future Income Tax Rate @ 29%			575
Balance on December 31, 2008 (if negative enter 0)			575
Pension and Early Retirement Costs			
Balance on January 1, 2008			-
Add: Pension Funding		4,183	
Less: Pension Expense (including Special Pension Costs)		2,081	
Difference		2,102	
Future Income Tax Rate @ 29%			609
Balance on December 31, 2008			609
Total Accumulated Future Income Taxes			**1,184**

Newfoundland Power Inc.
Average Regulated Capital Structure
For The Year Ended December 31, 2008
($000's)

Average Book Capital Structure

	Year-End December 31 2008	Year-End December 31 2007	Average	Percent
Total Debt[1]	438,154	443,527	440,841	54.06%
Preference Shares	9,352	9,352	9,352	1.15%
Common Equity	373,738	356,671	365,205	44.79%
	821,244	809,550	815,398	100.00%

Regulated Average Capital Structure[2]

	Average 2008	Percent
Total Debt	440,841	54.06%
Preference Shares	9,352	1.15%
Common Equity	365,205	44.79%
	815,398	100.00%

[1] Beginning in 2008, debt for average capital structure is net of unamortized debt discount and issue expenses. For comparative purposes, debt for 2007 is also shown net of unamortized debt discount and expense.

[2] In Order No. P.U. 19 (2003), the Board ordered that the proportion of regulated common equity in the capital structure shall not exceed 45%. In years where the average common equity percentage is below 45% of the average invested capital, the regulated average capital structure will equal the average book capital structure.

Newfoundland Power Inc.
Cost of Embedded Debt
For The Year Ended December 31, 2008
($000's)

			December 31 2008	December 31 2007
1	**Average Debt**			
2	Bonds		409,088	413,638
3	Credit Facilities		32,000	33,000
5			441,088	446,638
6				
7	Debt Discount and Issue Expenses[1]		(2,934)	(3,111)
8				
9			438,154	443,527
10				
11	Average Debt	**A**	440,841	427,851
12				
13	**Interest Expense[2]**			
14	Interest on Bonds		32,334	33,718
15	Interest on Credit Facilities		1,445	1,437
16	Interest on Bank Indebtedness		11	38
17	Amortization of Debt Discount and Issue Costs		235	256
18				
19		**B**	34,025	35,449
20				
21	**Embedded Cost of Debt**	**B/A**	**7.72%**	**8.29%**
22				
23				
24				

25 [1] Beginning in 2008, unamortized debt discount and issue expenses are included in the calculation of average debt.
26 In 2007, unamortized debt discount and expenses were included in deferred charges.
27
28 [2] Interest earned and interest on overdue accounts have been re-classified as Other Revenue beginning in
29 2008. For comparative purposes, the 2007 interest expense has been restated to reflect this reclassification.
30 Total financing costs for 2008 and 2007 as reported in Return 1 are as follows:
31

		2008	2007
32			
33	Interest Expense (B) from above	34,025	35,449
34	Add: Amortization of Capital Stock Issue Expenses	62	62
35	Add: Interest on Security Deposits	38	50
36	Less: AFUDC	(618)	(622)
37	Interest Expense Reported in Return 1	33,507	34,939

Newfoundland Power Inc.
Explanation of Variances in Cost of Debt
For The Year Ended December 31, 2008
($000's)

		Actual 2008	Test Year 2008	Variance
1	**Average Debt**	440,841	440,691	150
2				
3	**Embedded Cost of Debt**	7.72%	7.93%	-0.21%
4				
5	**Details of the Embedded Cost of Debt**			
6	Interest on Bonds	32,334	32,334	-
7	Interest on Credit Facilities	1,445	2,393	(948) [1]
8	Interest on Bank Indebtedness	11	-	11
9	Amortization of Debt Discount and Issue Costs	235	236	(1)
10				
11		34,025	34,963	(938)

12
13
14
15
16
17

18 **Explanation of Variances**

19 [1] The reduction in interest costs is primarily related to reductions in actual borrowing rates driven
20 by market conditions in 2008. The short-term rates used in the 2008 Test Year were based on forecast
21 information from the five major Canadian Banks in August of 2007 and indicated an average
22 short-term rate of 5.75% for 2008. Actual short-term rates in 2008 ranged from a high of 4.82% in January
23 to a low of 2.28% in December.

Newfoundland Power Inc.
Regulated Return on Average Common Equity
For The Year Ended December 31, 2008
($000's)

		2008	2007
1	**Average Common Equity**		
2			
3	Common Equity at December 31, 2008	373,738	
4			
5	Common Equity at December 31, 2007	356,671	356,671
6			
9	Common Equity at December 31, 2006		335,887
10			
11	Average Common Equity	365,205	346,279
12			
13			
14	**Regulated Return on Average Common Equity**		
15			
16	Earnings Applicable to Common Shares - Return 1	32,341	29,866
17			
18	Add: Non-Regulated Expenses (net of income taxes)	995	111
19			
20		33,336	29,977
21			
22			
23	**Regulated Return on Average Common Equity**	**9.13%**	**8.66%**

Newfoundland Power Inc.
Assessable Revenue
(s. 13 of the *Public Utilities Act*)
For The Year Ended December 31, 2008
($000's)

1	Revenue From Rates from Return 14	497,360	
2			
3	Weather Normalization Revenue Adjustment from Return 17	(7,575)	
4			
5		489,785	
6			
7	Municipal Taxes Billed	12,338	
8			
9	Billing per the Rate Stabilization Account from Return 16	19,326	
10			
11	Total Electrical Revenue Billed		521,449
12			
13	Other Revenue from Return 14		13,267
14			
15	**Assessable Revenue**		**534,716**

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
PO Box 8910
St. John's, Newfoundland
A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

May 14, 2009

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

Enclosed are eleven (11) copies of Newfoundland Power Inc.'s Quarterly Regulatory Report for the quarter ending March 31, 2009.

The report is divided into five sections: Quarterly Summary; Capital Expenditure Progress; Inter-Company Transactions; Customer Property Damage Claims; and Contribution In Aid of Construction Activity.

In Order No. P.U. 32(2007), the Board ordered Newfoundland Power to provide, as part of its quarterly reporting, updates on (1) the progress of its retail customer rate review, and (2) the status of the Accounting Standards Board's consideration of the transition to International Financial Reporting Standards. Updates on these matters are provided under the headings *Customer Service* and *Financial Matters*, respectively, in the Quarterly Summary in Section 1 of the report.

If you have any questions on the enclosed, please contact the undersigned at the direct number noted below.

Yours very truly,

Gerard Hayes
Senior Counsel

Enclosures

c. Geoffrey P. Young
Newfoundland & Labrador Hydro

Join us in the fight against cancer

Quarterly Regulatory Report

For The Period Ended

March 31, 2009

NEWFOUNDLAND POWER
A FORTIS COMPANY

QUARTERLY REGULATORY REPORT

FOR THE PERIOD ENDED

March 31, 2009

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Capital Expenditure Progress	2
Inter-Company Transactions	3
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1. Highlights

Highlights	1st Quarter			Annual
	Actual 2009	Plan 2009	Actual 2008	Plan 2009
Customer Satisfaction (%)	89	89	87	89
Electricity Delivery [1]				
Electricity Sales (GWh)	1,762.9	1,711.6	1,716.2	5,244.5
Peak Demand (MW) [2]	1,237.1	1,234.5	1,188.0	1,234.5
Customer Minutes of Outage [3]	11.8	11.0	8.1	37.6
Employee Injuries [4]	0.0	4.0	5.0	12.0
Revenue ($millions)	169.7	164.0	164.9	520.1
Earnings ($millions) [5]	6.2	5.4	6.2	32.8

- 1st quarter customer satisfaction was 89%.
- 1st quarter reliability performance was good.
- No lost time or medical aid incidents in the first quarter.
- 1st quarter sales higher than plan.
- 1st quarter earnings were above plan.
- 2009 Energy Conservation Cost Deferral Application approved.
- Collective bargaining concludes.

1 Weather adjusted.
2 Peak demand for the 2008/2009 winter period occurred on January 27, 2009 at 8:45 a.m.
3 In millions of minutes, excluding Hydro related interruptions.
4 Total lost time and medical aid incidents.
5 Earnings applicable to common shares.

2. Customer Service

Customer Service Performance (%)	1st Quarter			Annual
	Actual 2009	Plan 2009	Actual 2008	Plan 2009
Customer Satisfaction	89	89	87	89
First Call Resolution [1]	89	88	88	88
Service Level [2]	80	80	82	80
Trouble Call Response [3]	92	85	86	85

[1] Percent of customer calls resolved on first contact.
[2] Percent of customer calls answered within 40 seconds.
[3] Percent of call response within two hours.

Customer Service Performance

1st quarter customer satisfaction and first-call resolution were 89%. Customer Contact Centre Service level was 80% and trouble call response was 92%. Overall, customer service performance was satisfactory.

Energy Conservation

In March, the Company received PUB approval of deferred recovery of 2009 costs associated with the implementation of customer conservation programs contained in the *5-Year Energy Conservation Plan*. Implementation of these customer conservation programs is planned to commence late in the 2nd quarter of 2009.

During the 1st quarter, the Company participated in several events to focus awareness on conservation and encourage customers to visit the joint Newfoundland Power-Newfoundland and Labrador Hydro *takeCHARGE!* website for energy saving tips and advice. These events included the Canadian Homebuilders' Association Eastern Newfoundland Annual General Meeting; the St. John's Board of Trade Business Show; the Construction Association's annual conference; and the Hospitality Newfoundland and Labrador annual conference.

Customer service specialists and coordinators across the province participated in a two-day education and information workshop on energy efficiency activities. The Company launched an electronic *Employee Toolkit* jointly with Newfoundland and Labrador Hydro. The toolkit is an online education and informational website for employees to learn about energy efficiency and how to better help our customers. The toolkit provides information on home heating options, insulation, thermostats, lighting, windows and energy star products.

On March 28th, Newfoundland Power participated in Earth Hour by reducing building lighting levels for one hour. We also encouraged customers and employees to pledge their support. Estimates indicate a reduction of approximately one per cent in the overall demand for electricity across the province during Earth Hour.

In March, Newfoundland Power launched an employee CFL recycling program. Drop-off recycling bins have been placed in all area offices.

takeCHARGE CFL Recycling bins have been placed in all area offices.

eBills Promotion

A new *eBills* customer promotion was implemented for the month of March. During March, customer *eBills* participation increased by 925 customers. Approximately 25,000 customers now receive their bill electronically. Each *eBills* account reduces the Company's costs by approximately $7 per year in postage, paper and envelope costs.

Customer Service Improvements

Enhancements were made to the Company website in the 1st quarter of 2009 to enable customers to view up to three years of billing and usage history. In addition, area lighting accounts were added to the information that can be viewed and maintained online.

Retail Rate Review

In accordance with the 2008 GRA Settlement Agreement, Newfoundland Power is conducting an evaluation of its existing rate designs and a review of alternative rate designs to determine their appropriateness for billing customers (the "Retail Rate Review"). The final Rate Design Report was submitted to the Board on January 28, 2009.

During the March-April period, customer feedback was obtained on the alternative rate designs under consideration. The Rate Design Report and the associated customer feedback information will be considered at a technical conference on the Retail Rate Review during 2009. Stakeholders will be contacted during the 2nd quarter to establish a schedule for the next step in the Retail Rate Review process.

3. System Performance

A. Reliability

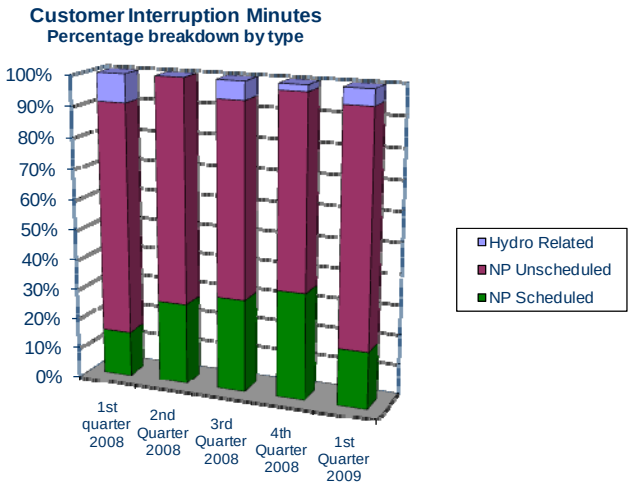
System Reliability [1]	1st Quarter		Annual
	Actual 2009	Actual 2008	Plan 2009
Customer Minutes of Outage [2]	11.80	8.10	37.60
SAIDI (Outage hours per customer)	0.86	0.60	2.74
SAIFI (Outages per customer)	0.63	0.48	2.37

[1] Excludes Hydro-related interruptions.

[2] In millions of minutes.

The frequency and duration of outages this quarter were higher than that experienced during the first quarter of 2008.

The number of outage minutes associated with Newfoundland Power's scheduled maintenance increased relative to the 1st quarter of last year. This increase was reflective of favorable weather conditions which allowed scheduled maintenance work to be completed earlier in the year.



The significant unplanned power interruptions during the 1st quarter were:

1. *January 15th*: A broken pole in the Riverhead area resulted in an outage to 743 customers for a total of 287,924 customer minutes.
2. *March 2nd*: A tree falling into the line caused an outage to 1,289 customers in the Bonaventure Avenue area of St. John's, totalling 266,823 customer minutes.
3. *March 2nd*: A broken cutout caused an outage to 1,421 customers in the Bellevue area for a total of 329,866 customer minutes.
4. *March 2nd*: A broken conductor resulted in an outage to 1,195 customers in Cape Broyle for a total of 291,700 customer minutes.

5. *March 16th*: A pole damaged by a contractor during blasting operations resulted in an outage to 4,027 customers in Torbay for a total of 778,451 customer outage minutes.
6. *March 25th*: A broken conductor caused an outage to 2,447 customers in the Kenmount Road area of St. John's for a total of 335,239 customer outage minutes.
7. *March 25th*: A broken insulator caused conductor to make contact with a pole, causing a pole fire. This resulted in an outage to 2,006 customers in the Chamberlains area for a total of 282,846 customer minutes of outage.
8. *March 26th*: A power transformer failure caused an outage to 5,297 customers in the Kenmount Road Cowan Heights area of St. John's for a total of 237,472 customer minutes. The Company is currently assessing whether to repair or replace this power transformer.

Damage to a structure on radial transmission line 59L during blasting operations by a contractor constructing the Torbay By-Pass Road.

B. Electricity Supply

Electricity Supply	1st Quarter			Annual
	Actual 2009	Plan 2009	Actual 2008	Plan 2009
Energy Purchased (GWh)	1,728.2 [1]	1,707.6	1,685.2 [1]	5,130.6
Peak Demand (MW) [2, 3]	1,237.1	1,234.5	1,188.0	1,234.5
Hydro Plant Production (GWh)	120.8	116.5	134.5	425.9
Plant Availability (%)	95.3	95.5	98.3	95.5

[1] Not weather adjusted.
[2] Weather adjusted.
[3] Peak demand for the 2008/2009 winter period occurred on January 27, 2009 at 8:45 a.m.

Energy purchased was higher than plan for the 1st quarter due to higher electricity sales. Energy purchased was also higher than the same period of 2008 due to higher electricity sales and lower Company hydro production in 2009.

Various components of peak load management were implemented several times during the 1st quarter. Peak demand occurred on January 27, 2009. This peak was higher than that experienced in prior years, and is consistent with growth in customer electricity usage.

Hydro plant production was slightly higher than plan for the 1st quarter but was lower than 2008 due to the higher than normal inflows that occurred in the 1st quarter of 2008. Total inflows for the 1st quarter of 2009 were 104.7 GWh, comparable with the normal inflow of 106.3 GWh.

Hydro plant availability was comparable to plan in the 1st quarter. The 47 forced outages in the 1st quarter were distributed across the 18 plants. No one plant experienced a disproportionate number of forced outages.

Generation employees work on the Heart's Content Generator to address a machine vibration issue.

Mobile River Watershed

The City of St. John's termination of the Company's rights to use the Mobile River watershed requires the City to pay the Company the value of certain assets, including the Mobile and Morris hydroelectric plants which have combined capacity of 11.6 MW and average production of 49 GWh per year.

On March 9th, 2009, an arbitration panel appointed for the purpose of determining the value of the affected assets ruled on certain preliminary questions. A majority of the panel ruled that the termination would not be effective until payment to the Company of the value of the assets, and that the valuation of the assets should be on a going concern basis including land and water rights.

On March 31, 2009, the City of St. John's applied to the Trial Division of the Supreme Court of Newfoundland and Labrador seeking judicial review of the majority ruling of the arbitration panel.

4. Financial Matters

Financial Highlights	1st Quarter			Annual
	Actual 2009	Plan 2009	Actual 2008	Plan 2009
Revenue ($millions)	169.7	164.0	164.9	520.1
Purchased Power Costs ($millions)	127.3	122.6	122.5	340.6
Operating Costs ($millions) [1]	13.1	13.5	12.9	49.1
Operating Cost per Customer ($)	58	59	58	215
Earnings ($millions) [2]	6.2	5.4	6.2	32.8

[1] Excluding pension and early retirement program costs.
[2] Earnings applicable to common shares.

Financial Results

Revenue for the 1st quarter of 2009 was higher than plan. First quarter electricity sales, increased by 46.7 GWh, or approximately 2.7 per cent over 2008. This was composed of (i) an increase of 1.5 per cent due to customer growth; and, (ii) an increase of 1.2 per cent due to higher average consumption arising from increased use of electric heating.

Purchased power costs for the 1st quarter of 2009 were higher than plan due to electricity sales growth.

Operating costs for the 1st quarter were lower than plan.

Earnings for the first quarter were higher than plan. This primarily reflects electricity sales growth, lower finance charges and timing of operating expenses, partially offset by higher pension costs.

Operating Cost per Customer

Operating cost per customer for the 1st quarter of 2009 was consistent with the same quarter last year.

Collective Bargaining

During the 1st quarter, the Company successfully negotiated three-year contracts with its clerical and craft bargaining units. The clerical and craft agreements were ratified on February 24, 2009 and April 20, 2009, respectively.

The three-year contracts provide for base wage increases of 3%, 3% and 3½% per year over the term of the contracts. In addition, trade adjustments were negotiated for skilled trades to bring wages in line with current Atlantic Canadian levels.

Defined Benefit Pension Plan

In April 2009, Newfoundland Power received the Actuarial Valuation Report for its Defined Benefit Pension Plan as of December 31, 2008. Based on the valuation, the solvency ratio of the plan is 92.4 per cent and indicates a solvency deficit of $6.9 million. Pension regulation requires a solvency deficit to be funded over a five-year period, commencing in the year the valuation is completed.

International Financial Reporting Standards ("IFRS")

In February 2009, the International Accounting Standards Board ("IASB") considered the scope of its project on rate-regulated activities. The IASB decided that the two criteria which should define rate-regulated activities are (i) an authorized body empowered to establish rates that bind customers, and (ii) the rate regulation is cost-of-service regulation.

Publication of an *exposure draft* covering the matter of regulatory assets and liabilities is now expected by July, 2009. A reporting standard is currently expected to be finalized in June 2010, six months in advance of IFRS adoption in 2011.

Corporate Income Taxes

During the 1st quarter, the PUB ordered that there was no reasonable basis for the creation of a deferral account to capture changes in 2009 and 2010 corporate income tax rates that were anticipated during the Company's last general rate hearing.

5. Capital Program

2009 Capital Expenditures	1st Quarter		Annual
	Actual	Plan	Plan [1]
Total ($000s)	12,485	9,748	62,421

[1] Plan includes $32,000 carryover for Fermeuse wind turbine project and $1,568,000 carryover for the water street civil work. Plan excludes $750,000 allowance for unforeseen items.

2009 Capital Expenditure

Capital expenditures for the 1st quarter were above plan. This increase relates principally to higher residential connections in the first quarter of 2009.

Customer driven work continued through the winter, and engineering and procurement are progressing on large capital projects.

The increase in residential connections over the 2009 plan is expected to increase 2009 distribution capital costs. This increase will be partially offset by reduced energy supply capital costs related to lower than expected steel prices associated with the Rocky Pond penstock replacement project.

6. Safety

Safety Performance	1st Quarter		Annual
	Actual 2009	Actual 2008	Plan 2009
Injury Frequency Rate [1]	0.0	3.6	2.2 [2]
Employee Injuries [3]	0.0	5.0	12.0

1 Injuries per 200,000 hours worked.
2 Based on a 10% improvement over the three-year average from 2006 to 2008.
3 Total lost time and medical aid incidents.

Safety Performance

There were no lost time or medical aid injuries in the first quarter of 2009. This was the first quarter without a safety incident since the 3rd quarter of 2005. This is a significant improvement over the first quarter of 2008 during which five injuries totaling 123 days of lost time occurred. The injury frequency rate at March 31, 2009 is zero compared to 3.6 on March 31, 2008.

There were eight preventable vehicle accidents during the quarter. Six of these accidents occurred while reversing. This compares with seven preventable vehicle accidents in the first quarter of 2008.

OHSD Regulation

On December 2nd, 2008, the Company's investigation report on the October 22nd employee fatality was submitted to the provincial Occupational Health and Safety division ("OHSD"). On January 9, 2009, OHSD issued two orders to the Company relating to the accident. The orders were consistent with the recommendations in the Company's report and required the Company to clarify its procedure for the use of Hold–Off Protection and update its procedures requiring additional information on job site hazard identification forms. On January 21, 2009, the Company presented its safe work procedures for working on or near energized equipment to officials of OHSD. The requirements of the orders are considered complete.

On March 18, 2009, the Company received an order from the OHSD regarding two separate but related incidents that occurred in the east end of St John's on March 9, 2009. The first incident occurred when a contractor installing poles on behalf of the Company contacted an underground high voltage cable. The second incident occurred when the line was re-energized and the overhead conductor burned off and fell to the ground. No injuries resulted from these incidents, although the conductor that fell made contact with a shipping container with two people working inside. The OHSD order directed the Company to provide incident reports, contractor management procedures, site drawings and safe work procedures related to the two incidents. All information required by the order was provided to OHSD on March 27, 2009.

Safety Management

The annual review of the Company's Health & Safety Management System was completed in the 1st quarter. The review confirmed the adequacy and effectiveness of the system. The review also established health and safety priorities for 2009 which are subject to annual audit.

The 2009 key safety priorities include transmission and distribution work methods; contractors' safety; meter reading safety; and risk management and job safety planning.

Occupational Health and Safety Committees were restructured during the 1st quarter of 2009. The overall number of Committees was reduced and Committee membership was increased. The aim of restructuring the Committees was to increase the consistency of safety management throughout the Company's service territory.

Two departments achieved safety milestones during the 1st quarter. On January 25th, employees in the St. John's Operations group had worked two years without a lost-time injury. On January 23rd, Gander employees had worked one year without a lost-time injury.

Public Safety

There were three electrical incidents involving the public during the 1st quarter. On February 16, 2009, a forklift tore a high voltage service from a building. On March 11, 2009, an excavator made contact with a 7,200 volt primary conductor causing the conductor to burn off. The third incident occurred on March 18th when a wire fell across a shipping container with two people inside. There were no injuries resulting from these incidents.

On February 26, 2009, a member of the public was slightly injured when the snowmobile on which he was riding struck a pole guy anchor rod. The anchor rod had been placed to accommodate the installation of cable television (CATV) conductor on the Company's poles. Subsequently, there was a change in the design requirements for the CATV installation and the anchor rod was no longer required. Unfortunately, the anchor rod was not removed. The Company has sent written requests to all CATV companies asking that it be notified when installed guy anchors are no longer required to ensure they are promptly removed. The Company advised its pole setting contractors that guy anchors must be clearly marked to warn the public.

A new television safety advertisement was launched in February 2009. The advertisement reminds viewers to use extreme caution around electrical hazards at work, at home and when engaged in recreational activities.

The Company, in partnership with Newfoundland and Labrador Hydro, has secured its hunter safety advertisement *Keep Safety in your Sight* on the back cover in the *2009-10 Provincial Hunting and Trapping Guide*.

During the 1st quarter, the Company presented electrical safety training to 2,000 students from 42 schools throughout the province. In addition, the Company presented Fire Fighting and Electricity seminars to approximately 100 volunteer firefighters.

7. Environment

Environment Performance	1st Quarter		Annual
	Actual 2009	Actual 2008	Plan 2009
Number of Oil Spills	14	13	62
Reportable PCB oil spills [1]	0	1	2
Volume of Oil Spills (Litres)	649 [2]	184	961

[1] Criteria for reporting of PCB spills have been revised as a result of the new PCB Regulations. PCB spills must be reported if any of the following conditions exist:
- All PCB spills that have a concentration of 50 ppm PCBs or more.
- All PCB spills that exceed the one gram rule.
- All oil spills of equipment in storage / inventory (not in use) that exceed a concentration of 2 ppm PCBs regardless of quantity.

[2] Of the fourteen recorded spills to date, one spill resulted in a release of 519 litres.

Both the number and volume of spills that occurred in the 1st Quarter of 2009 were higher than those recorded during the same period in 2008. 80% of the total volume released was attributed to one spill of 519 litres of oil from a transformer at Holy Trinity School in Torbay.

PCB Regulations

Implementation of Environment Canada's September 2008 PCB regulations has become the subject of discussion between Environment Canada and Canadian utilities. Prior to the September release, there was an exemption for specific substation equipment, such as high voltage bushings that contain small amounts of oil and are very difficult to test and replace. The September release did not include this exemption. The Canadian Electricity Association is currently working with Environment Canada to address the issue.

Compliance with the remaining portions of the September 2008 PCB regulations will increase the Company's expenditures for insulating oils used in equipment maintenance.

Environmental Management

The annual review of the Company's Environmental Management System was completed in the 1st quarter. The review confirmed the adequacy and effectiveness of the system.

During the 1st quarter, environmental training was provided to approximately 25 employees and 28 contractor employees performing work on behalf of the Company.

8. Community

The Power of Life Project

The Clarenville Area employees held their 5th annual family Snowmobile Run and salmon dinner on February 28th. Approximately $16,000 was raised through this event with the proceeds equally shared between *The Power of Life Project* and the local Triple Bay Eagles Ground Search and Rescue Team. Prior to the start of the run, the Company also made a donation of a retired Argo to the Triple Bay Eagles Ground Search and Rescue Team.

Since 2005, the Snowmobile Run has raised approximately $30,000.

Earl Ludlow presents an ARGO to the Triple Bay Eagles Ground Search and Rescue Team during this year's Snow Run.

Fish Friends

For the 12th consecutive year, the Company is continuing its partnership with the Atlantic Salmon Federation (ASF) *Fish Friends* program. The *Fish Friends* program is delivered to more than 60 schools in the province and educates students about environmental stewardship and freshwater ecology. The Company provides the program with an annual donation of $6,000. In addition, the Company's Environmental Coordinators assisted in delivering salmon eggs to the participating schools in March.

FINANCIAL STATEMENTS

NEWFOUNDLAND POWER INC.
BALANCE SHEETS
As At March 31
($000s)

	2009	2008 [1]
Capital Assets		
Property plant and equipment	1,193,054	1,148,085
Less: accumulated depreciation	430,781	410,238
	762,273	737,847
Current Assets		
Cash	239	941
Accounts receivable	82,636	87,518
Income tax receivable	719	876
Materials and supplies	1,021	964
Prepaid expenses	985	1,356
Regulatory assets	8,763	7,663
	94,363	99,318
Accrued Pension and Other	94,556	90,995
Regulatory Assets	56,676	58,982
Intangible Assets, net of amortization	15,855	16,864
Customer Finance Plans	1,750	1,733
Total Assets	**1,025,473**	**1,005,739**
Shareholders' Equity		
Common shares	70,321	70,321
Retained earnings	303,290	288,757
Common shareholder's equity	373,611	359,078
Preference shares	9,352	9,352
	382,963	368,430
Current Liabilities		
Accounts payable and accrued charges	66,775	66,096
Current portion of long-term debt	4,550	57,550
Regulatory liabilities	6,428	8,418
	77,753	132,064
Future Income Taxes	1,739	251
Long-term Debt	463,149	406,022
Other Liabilities	46,229	39,648
Regulatory Liabilities	53,640	59,324
Total Shareholders' Equity and Liabilities	**1,025,473**	**1,005,739**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS
For The Periods Ended March 31
($000s)

	FIRST QUARTER			ANNUAL	
	Actual 2009	**Plan 2009**	**Actual 2008**	**Plan 2009**	**Actual 2008**
Revenue	169,683	164,008	164,920	520,084	516,889
Purchased Power	127,330	122,565	122,474	340,582	336,658
Contribution	42,353	41,443	42,446	179,502	180,231
Operating Expenses	13,082	13,464	12,942	49,122	47,132
Pension and Early Retirement Program Costs	624	201	787	771	3,040
Amortization	10,051	10,015	9,276	41,639	40,649
Amortization True-Up Deferral	966	966	891	3,860	3,862
Finance Charges	8,206	8,512	8,520	34,230	33,507
Earnings Before Income Taxes	9,424	8,285	10,030	49,880	52,041
Income Taxes	3,110	2,735	3,691	16,466	19,146
Net Earnings	6,314	5,550	6,339	33,414	32,895
Dividends on Preference Shares	147	148	114	586	554
Earnings Applicable to Common Shares	**6,167**	**5,402**	**6,225**	**32,828**	**32,341**

NEWFOUNDLAND POWER INC.
STATEMENTS OF RETAINED EARNINGS
For The Periods Ended March 31
($000s)

	2009	2008
Balance, Beginning of the Period	303,417	286,350
Net Earnings	6,314	6,339
Dividends		
Preference Shares	(147)	(114)
Common Shares	(6,294)	(3,818)
Balance, End of the Period	**303,290**	**288,757**

NEWFOUNDLAND POWER INC.
STATEMENTS OF CASHFLOWS
For The Periods Ended March 31
($000s)

	2009	2008 [1]
Cash From (Used In) Operating Activities		
Net earnings	6,314	6,339
Items not affecting cash:		
Amortization of capital assets	9,328	8,501
Amortization of intangibles and other	782	850
Change in regulatory assets amd liabilities	96	1,014
Future income taxes	134	251
Employee future benefits	(1,238)	(2,293)
Change in non-cash working capital	(25,950)	(17,965)
	(10,534)	(3,303)
Cash From (Used In) Investing Activities		
Capital expenditures (net of salvage)	(13,052)	(12,861)
Intangible expenditures	(433)	(398)
Contributions in aid of construction	696	279
Other	(116)	89
	(12,905)	(12,891)
Cash From (Used In) Financing Activities		
Net proceeds from committed credit facility	29,500	20,000
Dividends		
Preference shares	(147)	(114)
Common shares	(6,294)	(3,818)
	23,059	16,068
Decrease in Cash	(380)	(126)
Cash, Beginning of the Period	619	1,067
Cash, End of the Period	**239**	**941**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

APPENDICES

NEWFOUNDLAND POWER INC.
ELECTRICITY STATISTICS
For The Periods Ended March 31

	FIRST QUARTER		ANNUAL
	2009	**2008**	**2008**
Sales (GWh)			
Actual	1,735.7	1,707.8	5,115.2
Weather adjusted	1,762.9	1,716.2	5,208.2
Plan[1]	1,711.6		
Produced & Purchased (GWh)			
Actual	1,849.1	1,819.7	5,415.6
Weather adjusted	1,878.0	1,828.5	5,513.8
Plan[1]	1,823.3		
Hydro Production (GWh)			
Actual	120.8	134.5	454.3

[1] Based on Customer, Energy and Demand Forecast dated April 4, 2008.

NEWFOUNDLAND POWER INC.
STATEMENTS OF ELECTRICITY SOLD (GWh)
For The Periods Ended March 31

WEATHER ADJUSTED

	FIRST QUARTER			ANNUAL	
BY SALES CATEGORY	**Actual 2009**	**Plan[1] 2009**	**Actual 2008**	**Plan[1] 2009**	**Actual 2008**
Residential	1,139.2	1,100.8	1,100.6	3,135.2	3,130.3
Commercial					
0-10 kW	28.2	27.2	28.3	88.7	88.8
10-100 kW	203.4	204.3	205.7	657.3	641.8
110-1000 kVA	268.8	264.4	263.5	902.2	878.5
1000 kVA and Over	113.1	104.8	107.9	424.6	432.3
Total Commercial	613.5	600.7	605.4	2,072.8	2,041.4
Street Lighting	10.2	10.1	10.2	36.5	36.5
Total Sales	**1,762.9**	**1,711.6**	**1,716.2**	**5,244.5**	**5,208.2**
BY REGION					
Eastern [2]	1,238.6	1,207.6	1,208.4	3,692.7	3,659.5
Western [3]	524.3	504.0	507.8	1,551.8	1,548.7
Total Sales	**1,762.9**	**1,711.6**	**1,716.2**	**5,244.5**	**5,208.2**

[1] Based on Customer, Energy and Demand Forecast dated April 4, 2008.

[2] Eastern Region includes the St. John's, Avalon, Burin and Clarenville operating areas.

[3] Western Region includes the Gander, Grand Falls - Windsor, Corner Brook and Stephenville operating areas.

NEWFOUNDLAND POWER INC.
STATEMENTS OF REVENUE
For The Periods Ended March 31
($000s)

WEATHER ADJUSTED

BY SALES CATEGORY	FIRST QUARTER Actual 2009	FIRST QUARTER Plan [1] 2009	FIRST QUARTER Actual 2008	ANNUAL Plan [1] 2009	ANNUAL Actual 2008
Residential	105,949	102,810	102,896	303,405	302,916
Commercial					
0-10 kW	3,546	3,431	3,573	11,652	11,742
10-100 kW	19,417	19,607	19,728	64,699	63,129
110-1000 kVA	22,195	21,860	21,801	75,000	72,997
1000 kVA and Over	8,283	7,648	7,925	30,242	31,208
Total Commercial	53,441	52,546	53,027	181,593	179,076
Street Lighting	3,218	3,204	3,180	12,839	12,722
Forfeited Discounts	981	953	940	2,846	2,646
Revenue From Rates	**163,589**	**159,513**	**160,043**	**500,683**	**497,360**
Energy Supply Cost Variance [2]	1,659	(100)	69	1,004	(388)
2008 Tax Deferral [3]	-	-	(224)	-	(560)
Amortizations [4]					
2005 Unbilled Income Tax Settlement	-	-	596	-	2,592
2005 Unbilled Remaining Balance	1,155	1,155	1,067	4,618	4,618
Total Reported Revenue	**166,403**	**160,568**	**161,551**	**506,305**	**503,622**
Other Revenue	3,280	3,440	3,369	13,779	13,267
Total Operating Revenue	**169,683**	**164,008**	**164,920**	**520,084**	**516,889**

[1] Based on 2009 sales forecast dated April 4, 2008 and rates effective July 1, 2008 as approved by Orders No. P.U. 35(2008).
[2] Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).
[3] Disposition of balance in the Tax Deferral Account as approved in Order No. P.U. 10 (2008).
[4] Revenue amortizations as approved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
SUMMARY OF WEATHER ADJUSTMENTS
For The Periods Ended March 31
($000s)

	FIRST QUARTER			ANNUAL	
REVENUE FROM ELECTRICITY SALES	**Actual 2009**	**Plan [1] 2009**	**Actual 2008**	**Plan [1] 2009**	**Actual 2008**
Actual	161,409	159,513	159,367	500,683	489,785
Degree Day & Wind Adjustment	2,180	-	676	-	7,575
Weather Adjusted	**163,589**	**159,513**	**160,043**	**500,683**	**497,360**
Energy Supply Cost Variance [2]	1,659	(100)	69	1,004	(388)
2008 Tax Deferral [3]	-	-	(224)	-	(560)
Amortizations [4]					
2005 Unbilled Income Tax Settlement	-	-	596	-	2,592
2005 Unbilled Remaining Balance	1,155	1,155	1,067	4,618	4,618
Total Reported Revenue	**166,403**	**160,568**	**161,551**	**506,305**	**503,622**
PURCHASED POWER EXPENSE					
Actual	123,910	122,064	119,583	338,572	321,557
Degree Day & Wind Adjustment	2,540		776	-	8,652
Hydro Equalization Adjustment	382		1,651	-	3,797
Purchased Power Weather Adjusted	**126,832**	**122,064**	**122,010**	**338,572**	**334,006**
Demand Management Incentive Account [5]	-		-	-	641
Amortizations [6]					
Rattling Brook Deferral	150	150	138	597	598
PPUCVR Balance at Dec 31, 2006	(174)	(171)	(159)	(688)	(688)
Weather Normalization Reserve	522	522	485	2,101	2,101
Weather Adjusted	**127,330**	**122,565**	**122,474**	**340,582**	**336,658**

[1] Based on 2009 sales forecast dated April 4, 2008 and rates effective July 1, 2008 as approved by Orders No. P.U. 35(2008).
[2] Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).
[3] Disposition of balance in the Tax Deferral Account as approved in Order No. P.U. 10 (2008).
[4] Revenue amortizations as approved in Order No. P.U. 32(2007).
[5] Demand Management Incentive Account as approved in Order No. P.U. 32(2007).
[6] Amortizations for 2008 as appproved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS - DETAIL
For The Periods Ended March 31
($000s)

	FIRST QUARTER			ANNUAL	
	Actual 2009	Plan 2009	Actual 2008	Plan 2009	Actual 2008
Other Revenue					
Joint Use Revenue					
Aliant	1,745	1,788	1,696	7,152	6,981
CATV	502	483	470	1,945	1,880
Total Joint Use Revenue	2,247	2,271	2,166	9,097	8,861
Miscellaneous					
Customer Jobbing	98	102	114	568	434
Rental Income	-	5	10	20	26
Municipal Tax Liability[1]	342	341	314	1,362	1,362
Interest - Customer Accounts	266	365	380	1,358	1,155
Interest - RSA	50	28	37	56	116
Interest - CIAC	27	24	26	100	108
Interest - Other	33	39	35	150	135
Reconnections	6	11	8	73	84
NSF Cheque Charges	10	6	11	20	38
Wheeling Charges	160	173	156	613	615
Miscellaneous	(7)	25	61	100	65
Service Connection Fees	48	50	51	262	268
Total Miscellaneous	1,033	1,169	1,203	4,682	4,406
Total Other Revenue	**3,280**	**3,440**	**3,369**	**13,779**	**13,267**
Finance Charges					
Interest on Long-term Debt	8,015	8,015	8,106	31,971	32,334
Interest on Long-term Committed Credit Facility	192	507	379	2,444	1,445
Interest on Short-term Uncommitted Demand Facility	1	-	1	-	11
Amortization of Deferred Debt Issue Costs	49	44	59	177	236
Amortization of Capital Stock Issue Expenses	9	9	16	38	62
Interest on Security Deposits	5	-	12	-	37
Allowance For Funds Used During Construction (AFUDC)	(65)	(63)	(53)	(400)	(618)
Total Finance Charges	**8,206**	**8,512**	**8,520**	**34,230**	**33,507**

[1] Amortization of the Municipal Tax Liability as approved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
CUSTOMER AND EMPLOYEE STATISTICS
As At March 31

	FIRST QUARTER		ANNUAL	
	Actual 2009	**Actual 2008**	**Plan 2009**	**Actual 2008**
Customers	236,590	233,236	237,723	235,778
Employees [1]				
Regular	559	547	562	551
Temporary	79	65	76	77
Total	638	612	638	628

[1] Refers to full time equivalents.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY AREA
For The Periods Ended March 31

	SAIFI					SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR	QUARTER		12 MONTH TO DATE		5 YEAR
	2009	2008	2009	2008	TO DATE	2009	2008	2009	2008	TO DATE
AREA	#	#	#	#	# / YEAR	HOURS	HOURS	HOURS	HOURS	HRS. / YEAR
St. John's	0.75	0.73	2.32	3.03	2.42	0.87	0.73	2.10	3.47	2.42
Avalon	0.61	0.44	1.95	2.53	2.08	0.69	0.61	1.89	3.93	3.06
Burin	0.87	0.73	3.96	3.88	5.05	1.53	1.39	4.30	3.62	4.45
Bonavista	0.43	1.13	5.55	6.73	5.27	0.63	0.92	6.80	41.10	12.71
Gander	1.02	0.22	4.76	2.32	4.48	1.21	0.38	5.43	5.73	6.11
Grand Falls	0.94	0.32	3.06	2.11	3.14	0.44	0.23	3.42	2.36	4.64
Corner Brook	0.45	0.57	1.84	4.09	2.49	0.56	0.41	2.63	4.44	2.90
Stephenville	1.17	1.12	4.65	3.35	4.57	1.30	0.80	3.03	3.65	4.45
Company Totals	**0.75**	**0.65**	**2.94**	**3.23**	**3.07**	**0.85**	**0.66**	**2.99**	**6.27**	**3.98**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended March 31

ORIGIN	SAIFI				
	QUARTER		12 MONTH TO DATE		5 YEAR TO DATE # / YEAR
	2009 #	2008 #	2009 #	2008 #	
Loss of Supply (NF Hydro)	0.12	0.17	0.41	0.82	0.53
Transmission	0.07	0.07	0.82	0.80	0.87
Distribution	0.56	0.41	1.71	1.61	1.67
Company Totals	**0.75**	**0.65**	**2.94**	**3.23**	**3.07**

System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended March 31

ORIGIN	SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR TO DATE HRS. / YEAR
	2009 HOURS	2008 HOURS	2009 HOURS	2008 HOURS	
Loss of Supply (NF Hydro)	0.05	0.06	0.11	0.56	0.23
Transmission	0.09	0.03	0.72	0.79	0.84
Distribution	0.71	0.57	2.16	4.92	2.91
Company Totals	**0.85**	**0.66**	**2.99**	**6.27**	**3.98**

System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BREAKDOWN REPORT
First Quarter 2009

AREA	SCHEDULED		UNSCHEDULED		TOTAL	
	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS
St. John's	0.07	0.02	0.68	0.85	0.75	0.87
Avalon	0.02	0.01	0.59	0.67	0.61	0.68
Burin	0.35	0.38	0.52	1.16	0.87	1.54
Bonavista	0.21	0.22	0.21	0.41	0.42	0.63
Gander	0.62	0.89	0.40	0.33	1.02	1.22
Grand Falls	0.23	0.22	0.71	0.22	0.94	0.44
Corner Brook	0.10	0.05	0.35	0.51	0.45	0.56
Stephenville	0.70	0.85	0.47	0.46	1.17	1.31
Company Totals	**0.19**	**0.20**	**0.56**	**0.65**	**0.75**	**0.85**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.

CAPITAL EXPENDITURE PROGRESS REPORT

For the Period Ended March 31, 2009

Introduction

The Capital Expenditure Progress Report summarizes the capital expenditures of the various capital accounts of the Company and lists any new lease obligations in excess of $5,000 per year.

The report is divided into three sections as follows:

1. The Budget section outlines the annual capital expenditure budget approved by the Public Utilities Board for the current year.

2. The Expenditure section outlines actual capital expenditures for the current quarter and indicates the portion of the annual capital budget remaining to be expended (difference between annual budget and current quarter actual).

3. The Leasing Arrangement section includes a brief description of the item being leased, the leasing period, and the annual and quarterly leasing costs.

NEWFOUNDLAND POWER INC.
CAPITAL EXPENDITURE PROGRESS REPORT
For the Period Ended March 31, 2009
($000s)

	BUDGET	EXPENDITURE [1]	
	Approved by Order No. P.U. 27 (2008)	First Quarter	Unexpended Balance
Generation Hydro	8,899	414	8,485
Generation Thermal	100	17	83
Substations	7,172	1,466	5,706
Transmission	4,507	265	4,242
Distribution	30,178	7,678	22,500
General Property	835	126	709
Transportation	2,255	468	1,787
Telecommunications	350	82	268
Information Systems	3,725	1,074	2,651
Unforeseen Items	750	-	750
General Expenses Capital	2,800	829	1,971
TOTAL	61,571	12,419	49,152

Leasing Arrangements Entered Into			
Brief description	**Period**	**Annual Cost**	**Quarterly Payments**
Postage Meters	3 Years	$10,000	$2,500

[1] Excludes capital expenditures of approximately $66,000 related to prior years capital projects carried forward into 2009.

NEWFOUNDLAND POWER INC.

INTER-COMPANY TRANSACTIONS REPORT

For the Period Ended March 31, 2009

Introduction

The Inter-Company Transactions Report summarizes transactions between the Company and related corporations on a quarterly and year-to-date basis. The report itemizes the charges by type and distinguishes between regulated and non-regulated charges. The report also documents any contracts, agreements or loans between Newfoundland Power and any related corporation that were signed in the current quarter.

The report is divided into four sections as follows:

1. The first section aggregates charges from all related corporations and presents a summary, by charge type, for the current quarter and the same period last year, as well as comparable annual charges for the previous year.

2. The second section breaks down the charges ***from*** each individual related corporation and presents an itemized quarterly summary for the current year and the same period last year, as well as comparable annual charges for the previous year.

3. The third section breaks down the charges ***to*** each individual related corporation and presents an itemized quarterly summary for the current year and the same period last year, as well as comparable annual charges for the previous year.

4. The fourth section lists any contracts or agreements that were signed between the Company and any related corporation as well as any loans with related corporations. Loan information provided includes the amount of the loan, the date of borrowing and date of repayment, the interest rate, and total interest paid.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Summary of Charges
For The Period Ended March 31, 2009

Charges from Associated Companies

Regulated Charges	First Quarter 2009	First Quarter 2008	Annual 2008
Listing & Filing Fees	$ -	$ -	$ -
Trustee & Share Plan Costs	10,000	8,000	34,000
Hotel/Banquet Facilities	4,380	8,340	52,171
Staff Charges[1]	12,000	-	-
Joint-use Pole Purchases	1,337	10,134	108,942
Miscellaneous	26,744	18,616	68,978
Sub-total	$ 54,461	$ 45,090	$ 264,091

Non-Regulated Charges	First Quarter 2009	First Quarter 2008	Annual 2008
Directors' Fees & Travel	$ 43,000	$ 56,000	$ 112,000
Annual & Quarterly Reports	28,000	31,000	96,000
Staff Charges	50,000	24,000	120,000
Miscellaneous	61,000	47,000	590,057
Sub-total	$ 182,000	$ 158,000	$ 918,057
TOTAL	$ 236,461	$ 203,090	$ 1,182,148

Charges to Associated Companies

	First Quarter 2009	First Quarter 2008	Annual 2008
Printing & Stationery	$ 237	$ 411	$ 1,216
Postage	5,714	5,422	19,907
Staff Charges	144,380	121,748	1,057,284
Staff Charges - Insurance	68,811	49,557	229,330
IS Charges	-	-	31,192
Pole Installations	3,305	3,470	19,295
Miscellaneous	3,485	4,634	154,799
TOTAL	$ 225,932	$ 185,242	$ 1,513,023

[1] Short-term Incentive payment for Jan - Jun 2008 for employee transferred to Fortis Properties in July 2008.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended March 31, 2009

	First Quarter 2009			First Quarter 2008			Annual 2008		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.									
Listing & Filing Fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Directors' Fees & Travel	-	43,000	43,000	-	56,000	56,000	-	112,000	112,000
Annual & Quarterly Reports	-	28,000	28,000	-	31,000	31,000	-	96,000	96,000
Trustee & Share Plan Costs	10,000	-	10,000	8,000	-	8,000	34,000	-	34,000
Staff Charges	-	50,000	50,000	-	24,000	24,000	-	120,000	120,000
Joint-use Pole Purchases [1]	1,337	-	1,337	10,134	-	10,134	108,942	-	108,942
Miscellaneous	21,973	61,000	82,973	2,000	47,000	49,000	27,783	590,057	617,840
Total	$ 33,310	$ 182,000	$ 215,310	$ 20,134	$ 158,000	$ 178,134	$ 170,725	$ 918,057	$ 1,088,782
Fortis Properties Corporation									
Staff Charges	$ 12,000	$ -	$ 12,000	$ -	$ -	$ -	$ -	$ -	$ -
Hotel/Banquet Facilities	4,380	-	4,380	8,340	-	8,340	52,171	-	52,171
Miscellaneous	-	-	-	5,569	-	5,569	5,569	-	5,569
Total	$ 16,380	$ -	$ 16,380	$ 13,909	$ -	$ 13,909	$ 57,740	$ -	$ 57,740
Maritime Electric Co. Ltd.									
Miscellaneous	$ 2,636	$ -	$ 2,636	$ -	$ -	$ -	$ 2,497	$ -	$ 2,497
Total	$ 2,636	$ -	$ 2,636	$ -	$ -	$ -	$ 2,497	$ -	$ 2,497
FortisOntario Inc.									
Miscellaneous	$ -	$ -	$ -	$ 5,972	$ -	$ 5,972	$ 9,172	$ -	$ 9,172
Total	$ -	$ -	$ -	$ 5,972	$ -	$ 5,972	$ 9,172	$ -	$ 9,172
FortisBC Inc.									
Miscellaneous	$ 2,135	$ -	$ 2,135	$ 5,075	$ -	$ 5,075	$ 23,957	$ -	$ 23,957
Total	$ 2,135	$ -	$ 2,135	$ 5,075	$ -	$ 5,075	$ 23,957	$ -	$ 23,957

[1] In 2008, charges from Fortis Inc. relating to Joint-use Pole Purchases were included in the Miscellaneous category

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended March 31, 2009

	First Quarter 2009	First Quarter 2008	Annual 2008
Fortis Inc. [1]			
Printing & Stationery	$ -	$ 55	$ 135
Postage	5,714	5,422	19,907
Staff Charges	74,043	62,233	324,686
Staff Charges - Insurance	55,385	26,220	148,679
IS Charges	-	-	8,971
Pole Installations	3,305	3,470	19,295
Miscellaneous	437	2,119	6,056
Total	$ 138,884	$ 99,519	$ 527,729
Fortis Properties Corporation			
Printing & Stationery	$ 237	$ 356	$ 1,081
Staff Charges - Insurance	6,753	2,878	26,905
IS Charges	-	-	4,432
Miscellaneous	601	1,280	6,301
Total	$ 7,591	$ 4,514	$ 38,719
Maritime Electric Company, Limited			
Staff Charges	$ 347	$ 2,170	$ 6,036
Staff Charges - Insurance	437	51	5,834
IS Charges	-	-	2,424
Miscellaneous	101	81	1,081
Total	$ 885	$ 2,302	$ 15,375
FortisOntario Inc.			
Staff Charges - Insurance	$ 134	$ 459	$ 4,638
IS Charges	-	-	2,424
Miscellaneous	3	-	850
Total	$ 137	$ 459	$ 7,912
Fortis US Energy Corporation			
Staff Charges - Insurance	$ -	$ -	$ 2,424
Total	$ -	$ -	$ 2,424
Belize Electric Company Limited			
Staff Charges	$ 22,070	$ 31,847	$ 89,390
Staff Charges - Insurance	810	592	1,996
Total	$ 22,880	$ 32,439	$ 91,386

[1] In prior reports, Fortis Inc. included charges to Terasen Gas Inc., Caribbean Utilities Co. Limited, and Fortis Turks and Caicos. Charges to these companies are now shown separately in the report. As result of this change charges to Fortis Inc. in 2008 have been restated.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended March 31, 2009

	First Quarter 2009	First Quarter 2008	Annual 2008
Belize Electricity Limited			
Staff Charges	$ 889	$ 8,072	$ 23,173
Staff Charges - Insurance	2,376	395	661
IS Charges	-	-	4,240
Miscellaneous	201	421	19,564
Total	$ 3,466	$ 8,888	$ 47,638
FortisAlberta Inc.			
Staff Charges	$ -	$ 10,969	$ 152,837
Staff Charges - Insurance	432	3,545	7,361
IS Charges	-	-	391
Miscellaneous	551	487	18,180
Total	$ 983	$ 15,001	$ 178,769
FortisBC Inc.			
Staff Charges - Insurance	$ 216	$ 4,274	$ 9,344
IS Charges	-	-	8,310
Miscellaneous	225	162	3,362
Total	$ 441	$ 4,436	$ 21,016
Terasen Gas Inc.			
Staff Charges	$ -	$ -	$ 216
Staff Charges - Insurance	-	9,170	12,485
Miscellaneous	420	3	134
Total	$ 420	$ 9,173	$ 12,835
Caribbean Utilities Co. Limited			
Staff Charges - Insurance	$ 108	$ 355	$ 1,167
Miscellaneous	101	81	81
Total	$ 209	$ 436	$ 1,248
Fortis Turks and Caicos			
Staff Charges	$ 47,031	$ 6,457	$ 460,946
Staff Charges - Insurance	2,160	1,618	7,836
IS Charges	-	-	-
Miscellaneous	845	-	99,190
Total	$ 50,036	$ 8,075	$ 567,972

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Agreements With Associated Companies
For the Period Ended March 31, 2009

No loans or agreements with related companies were entered into during the quarter ending March 31, 2009.

NEWFOUNDLAND POWER INC.

CUSTOMER PROPERTY DAMAGE CLAIMS REPORT

For the Quarter Ending March 31, 2009

Introduction

The Customer Property Damage Claims Report contains an overview of all damage claims activity summarized on a quarterly basis. The information contained in the report is broken down by cause as well as by the operating region where the claims originated.

The report is divided into four sections as follows:

1. The first section indicates the number of claims received during the quarter coupled with claims outstanding from the previous quarter.

2. The second section shows the number of claims for which the Company has accepted responsibility and the amount paid to claimants versus the amount originally claimed.

3. The third section shows the number of claims rejected and the dollar value associated with those claims.

4. The fourth section indicates those claims that remain outstanding at the end of the current quarter and the dollar value associated with such claims.

Overview - First Quarter

The total number of damage claims received during the first quarter of 2009 has increased in comparison to the number of claims received during the same period in 2008. The increase is found primarily in the Miscellaneous and Improper Workmanship categories.

The number of claims outstanding from the last quarter has been reduced by three. Two claims, originally reported in the Equipment Failure category in Eastern Region, and one claim in the Third Party category in Western Region were withdrawn by customers. The new total of outstanding claims is 9, down from 12 as reported in the summary for the quarter ending December 2008.

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Cause

For the Quarter Ending March 31, 2009

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	4	-	4	1	$ 200	$ 200	-	$ -	3	$ 1,245
Power Interruptions	-	-	-	-	-	-	-	-	-	-
Improper Workmanship	14	1	15	10	18,631	8,870	-	-	5	8,650
Weather Related	-	-	-	-	-	-	-	-	-	-
Equipment Failure	35	6	41	34	32,426	24,144	-	-	7	8,700
Third Party	-	-	-	-	-	-	-	-	-	-
Miscellaneous	20	2	22	16	10,508	7,338	-	-	6	45,447
Total	**73**	**9**	**82**	**61**	**$ 61,765**	**$ 40,552**	**-**	**$ -**	**21**	**$ 64,042**

For the Quarter Ending March 31, 2008

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	3	1	4	1	$ 112	$ 112	-	$ -	3	$ 670
Power Interruptions	1	-	1	1	50	50	-	-	-	-
Improper Workmanship	4	4	8	6	9,074	8,394	-	-	2	18,796
Weather Related	-	2	2	2	4,285	4,285	-	-	-	-
Equipment Failure	43	6	49	34	53,831	31,350	-	-	15	15,350
Third Party	-	-	-	-	-	-	-	-	-	-
Miscellaneous	6	2	8	6	41,405	21,405	-	-	2	14,500
Total	**57**	**15**	**72**	**50**	**$ 108,757**	**$ 65,596**	**-**	**$ -**	**22**	**$ 49,316**

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Region

For the Quarter Ending March 31, 2009

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	46	4	50	31	$ 42,547	$ 21,334	-	$ -	19	$ 62,042
Western Region	27	5	32	30	19,218	19,218	-	-	2	2,000
Total	**73**	**9**	**82**	**61**	**$ 61,765**	**$ 40,552**	**-**	**$ -**	**21**	**$ 64,042**

For the Quarter Ending March 31, 2008

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	46	12	58	39	$ 103,127	$ 60,668	-	$ -	19	$ 45,416
Western Region	11	3	14	11	5,630	4,928	-	-	3	3,900
Total	**57**	**15**	**72**	**50**	**$ 108,757**	**$ 65,596**	**-**	**$ -**	**22**	**$ 49,316**

Definitions of Causes of Damage Claims

1. **System Operations:** Claims arising from system operations. Examples include normal reclosing or switching.

2. **Power Interruptions:** Claims arising from interruption of power supply. Examples include all scheduled or unscheduled interruptions.

3. **Improper Workmanship:** Claims arising from failure of electrical equipment caused by improper workmanship or methods. Examples include improper crimping of connections, insufficient sealing and taping of connections, improper maintenance, inadequate clearance, or improper operation of equipment.

4. **Weather Related:** Claims arising from weather conditions. Examples include wind, rain, ice, lightning, or corrosion caused by weather.

5. **Equipment Failure:** Claims arising from failure of electrical equipment not caused by improper workmanship. Examples include broken neutrals, broken tie wires, transformer failure, insulator failure or broken service wire.

6. **Third Party:** Claims arising from equipment failure caused by acts of third parties. Examples include motor vehicle accidents and vandalism.

7. **Miscellaneous:** All claims not related to electrical service.

NEWFOUNDLAND POWER INC.

CONTRIBUTION IN AID OF CONSTRUCTION
QUARTERLY ACTIVITY REPORT

For the Period Ended March 31, 2009

The table below summarizes Contribution In Aid of Construction (CIAC) activity for the first quarter of 2009. The table is divided into three sections. The first section identifies the type of service for which a CIAC has been calculated. Services are categorized as Domestic (located within a Residential Planning Area), Domestic (located outside a Residential Planning Area) or General Service.

The second section indicates the number of CIACs quoted during the quarter as well as the number of CIAC quotes that remained outstanding at the end of the previous quarter. This format facilitates a reconciliation of the total number of CIACs that were active during the quarter.

The third section provides information as to the disposition of the total CIACs quoted. A CIAC is considered Accepted when a customer indicates they wish to proceed with construction of the extension and has agreed to pay any charge that may be applicable. A CIAC is considered Outdated after six months has elapsed and the customer has not indicated their intention to proceed with the extension. A quoted CIAC is Outstanding if it is neither Accepted nor Outdated.

Type of Service	CIACs Quoted	CIACs Outstanding Previous Qtr.	Total CIACs Quoted	CIACs Accepted	CIACs Outdated	Total CIACs Outstanding
Domestic						
- Within Planning Area	10	9	19	6	1	12
- Outside Planning Area	11	29	40	8	12	20
	21	38	59	14	13	32
General Service	19	9	28	15	9	4
Total	40	47	87	29	22	36

The tables on Page 2 and 3 of the report provide specific information for the 40 CIACs quoted to customers during the period January 1, 2009 to March 31, 2009. Both the CIAC amounts quoted and the Estimated Construction Costs exclude HST.

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
First Quarter 2009

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (within Residential Planning Area)						
2/20/2009	Gillingham, Edgar	Broad Cove	2009-20-106	2,225.00	4,350.00	
1/29/2009	Grandy, Shawn	Garnish	2009-31-100	1,900.00	4,025.00	Yes
1/12/2009	Green, Sam	Port de Grave	2009-20-101	5,377.70	7,502.70	
1/26/2009	Harter, Christine	Brigus South	2009-10-107	3,399.10	5,524.10	Yes
1/15/2009	Hawkins, Donald	Cape Broyle	2009-10-105	3,045.00	5,670.00	
3/18/2009	Hynes, Eric	Ferryland	2008-10-146	3,375.00	5,875.00	
2/17/2009	Lynch, Renee	Bay Bulls	2009-10-112	1,275.00	3,900.00	
1/13/2009	Madden, Danny	Maddox Cove	2009-10-102	30,073.00	53,448.00	Yes
2/16/2009	Penney, Rod & Geraldine	Terra Nova	2009-41-101	1,399.10	3,524.10	Yes
3/23/2009	Whyte, Gregory	Lewins Cove	2009-31-102	850.00	2,975.00	Yes
DOMESTIC (outside Residential Planning Area)						
3/30/2009	Budden, Paul	Horse Chops Road Cottage Area	2009-10-116	12,581.50	15,081.50	Yes
3/27/2009	Ford, Adolphus	Lower Bread & Cheese Cove Cottage Area	2009-40-103	19,764.71	25,483.88	
3/23/2009	Harding, William	Cape Pond Road Cottage Area	2008-10-162	1,455.01	2,080.01	
2/27/2009	Hayward, William	Hodderville	2009-30-100	7,982.50	8,607.50	
2/25/2009	Henley, Donna	Skibereen Road (Holyrood) Cottage Area	2009-20-103	57,670.00	65,670.00	
2/20/2009	Howlett, Jerome	Mobile First Pond Cottage Area	2008-10-168	2,149.14	2,774.14	
2/12/2009	Jones, Arthur	Loon Bay	2008-40-135	3,280.73	4,270.18	
2/2/2009	Moss, Don	Butt's Pond West Cottage Area	2009-41-100	57,100.00	67,100.00	
2/2/2009	Petras, Anna	North Harbour Cottage Area	2009-20-111	48,285.50	59,660.50	
1/9/2009	Rogers, Darryl	Lawn Cottage Area	2009-31-101	25,200.00	31,200.00	
1/8/2009	Young, Trevor	Belbin's Pond Cottage Area	2009-20-100	3,545.06	4,171.06	Yes

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
First Quarter 2009

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
GENERAL SERVICE						
1/29/2009	Bishop's Roadworks Inc.	Goulds (asphalt contractor)	2008-10-174	1,050.00	3,175.00	Yes
2/9/2009	City of St. John's	Robin Hood Bay (gas extraction facility)	2008-10-159	70,356.94	80,256.94	Yes
1/15/2009	CMH Construction Ltd.	Mount Pearl (office/warehouse facility)	2009-10-106	310.00	9,925.00	Yes
1/28/2009	Dept. Transportation & Works	Port aux Basques (highway camera)	2009-51-100	13,525.00	15,650.00	Yes
1/15/2009	Dept. Transportation & Works	Outer-Ring Road (weigh scales)	2008-10-176	25,350.00	27,475.00	Yes
1/15/2009	Dept. Transportation & Works	CBS Access Road (weigh scales)	2008-10-175	17,325.00	19,450.00	Yes
2/5/2009	Ev-Cor Enterprises Ltd.	Northern Arm (woodworking facility)	2009-40-101	6,795.00	10,295.00	
1/7/2009	Hickman Motors Ltd.	St. John's (storage/warehouse facility)	2008-10-167	2,614.00	9,680.00	Yes
2/6/2009	JFT Enterprises Ltd.	Mount Arlington Heights (welding shop)	2009-20-104	42,142.00	56,756.00	
2/5/2009	Jumping Bean Coffee	Paradise (coffee shop)	2008-10-177	2,240.00	9,400.00	Yes
1/15/2009	Jumping Bean Coffee	Paradise (coffee shop)	2008-10-160	4,351.40	5,820.00	
2/6/2009	Long Range Development Board	Robinsons (regional three-phase upgrade)	2009-51-101	203,332.39	203,332.39	Yes
3/23/2009	Magna Contracting Ltd.	Foxtrap (office building)	2009-10-124	3,522.00	6,282.00	
3/23/2009	Sliding K Ranch	Seal Cove, Conception Bay (livestock farm)	2009-10-119	3,050.00	5,550.00	Yes
3/20/2009	Steele Communications Inc.	Corner Brook (radio transmitter)	2009-50-101	11,331.00	12,189.00	
3/17/2009	Stillwater Amusements Ltd.	Hopeall (recreation park)	2009-20-109	2,500.00	4,625.00	Yes
3/19/2009	Twin Cabinets Ltd.	Bloomfield (woodworking facility)	2008-30-125	685.00	9,554.00	Yes
1/27/2009	Tyson Properties	Mount Pearl (office building)	2009-10-113	940.00	10,450.00	Yes
1/16/2009	Tyson Properties	Mount Pearl (office building)	2009-10-101	240.00	9,890.00	

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
P.O. Box 8910
St. John's, NL A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

August 14, 2009

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

Enclosed are eleven (11) copies of Newfoundland Power Inc.'s Quarterly Regulatory Report for the quarter ending June 30, 2009.

The report is divided into five sections: Quarterly Summary; Capital Expenditure Progress; Inter-Company Transactions; Customer Property Damage Claims; and Contribution In Aid of Construction Activity.

In Order No. P.U. 32(2007), the Board ordered Newfoundland Power to provide, as part of its quarterly reporting, updates on (1) the progress of its retail customer rate review, and (2) the status of the Accounting Standards Board's consideration of the transition to International Financial Reporting Standards. Updates on these matters are provided under the headings *Customer Service* and *Financial Matters*, respectively, in the Quarterly Summary in Section 1 of the report.

If you have any questions on the enclosed, please contact the undersigned at the direct number noted below.

Yours very truly,

Gerard Hayes
Senior Counsel

Enclosures

c. Geoffrey P. Young
Newfoundland & Labrador Hydro

Quarterly Regulatory Report

For The Period Ended

June 30, 2009

QUARTERLY REGULATORY REPORT

FOR THE PERIOD ENDED

June 30, 2009

INDEX	TAB
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Capital Expenditure Progress	2
Inter-Company Transactions	3
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1. Highlights

Highlights	2nd Quarter			Annual
	Actual 2009	Plan 2009	Actual 2008	Plan 2009
Customer Satisfaction (%)	90	89	91	89
Electricity Delivery [1]				
Electricity Sales (GWh)	1,177.2	1,206.3	1,183.0	5,244.5
Peak Demand (MW) [2]	1,237.1	1,234.5	1,188.0	1,234.5
Customer Minutes of Outage [3]	5.7	7.5	7.1	37.6
Employee Injuries [4]	2	3	4	12
Revenue ($millions)	118.1	121.1	118.9	520.1
Earnings ($millions) [5]	10.7	11.2	10.1	32.8

- 2nd quarter customer satisfaction was 90%.
- 2nd quarter reliability performance was good.
- 2nd quarter sales lower than plan.
- Safety performance better than plan and last year.
- 2nd quarter earnings below plan.
- Energy conservation programs launched during the 2nd quarter.
- 2010 General Rate Application filed with Public Utilities Board ("PUB").
- 2010 Capital Budget Application filed with PUB.

1 Weather adjusted.
2 Peak demand for the 2008/2009 winter period occurred on January 27th, 2009 at 8:45 a.m.
3 In millions of minutes, excluding Hydro related interruptions.
4 Total lost time and medical aid incidents.
5 Earnings applicable to common shares.

2. Customer Service

Customer Service Performance (%)	Year to Date			Annual
	Actual 2009	Plan 2009	Actual 2008	Plan 2009
Customer Satisfaction	90	89	89	89
First Call Resolution [1]	89	88	88	88
Service Level [2]	79	80	81	80
Trouble Call Response [3]	93	85	88	85

[1] Percent of customer calls resolved on first contact.
[2] Percent of customer calls answered within 40 seconds.
[3] Percent of trouble call response within two hours.

Customer Service Performance

Second quarter customer satisfaction was higher than plan at 90%. Overall customer service performance for the quarter was good.

Energy Conservation

During the 2nd quarter, four conservation programs were launched in partnership with Newfoundland & Labrador Hydro; Residential Insulation, Thermostats and ENERGY STAR® Windows, and Commercial Lighting.

Dena Senior, Engineer, Bernice Whalen, Customer Service Coordinator, and Kingsley Gifford, Engineer, at the Stephenville takeCHARGE Program launch.

The residential programs were launched on June 11th with customer and media events at building supply outlets across the province. More than 150 retailers were provided with in-store promotion materials. Radio, newspaper and online advertising encouraged customers to visit the enhanced takeCHARGE website, contact the Company or visit a building supply retailer for information.

The Commercial Lighting program was launched on June 29th following distributor training sessions held in St. John's, Grand Falls and Corner Brook. All five lighting distributors in the province are participating in the program.

The Customer Service System was enhanced to process conservation program rebates and track program results. The system enhancements provide a better display of the rebate on customers' electricity bills, and allows the Company to track energy and demand results for each program, participant numbers, and incentives paid.

During the 2nd quarter, a Business Analyst and a Marketing Specialist were added to the energy conservation team and five Contact Centre employees were trained as "Energy Representatives". Energy efficiency calls to the Contact Centre are now automatically routed to the Energy Representatives.

During the quarter, Newfoundland Power participated in a number of community outreach events focused on conservation. These events included the Canadian Homebuilders Association Eastern Newfoundland Home Show, the Exploits Regional Chamber of Commerce "Expo 2009", and the Building Owners and Managers Association's annual gala and awards dinner.

John Hogan, Area Customer Representative, helps a customer at the Gander takeCHARGE launch.

Customer Service Improvements

During the 2nd quarter, eBill customers were provided an opportunity to receive all future customer letters and notices electronically. Approximately 93% of eBill customers chose the electronic option.

All inbound calls to the Contact Centre are now being recorded. The recordings are used primarily to assist coaching of Customer Account Representatives on the service they provide. The recordings have also assisted in reviews of communications with individual customers.

Customer Rates

Effective July 1, 2009, there was an overall average decrease in electricity rates charged to customers of approximately 6.6 per cent. The decrease is a result of the annual operation of the Rate Stabilization Account.

Retail Rate Review

In accordance with the 2008 GRA Settlement Agreement, Newfoundland Power is conducting an evaluation of its existing rate designs and a review of alternative rate designs to determine their appropriateness for billing customers (the "Retail Rate Review"). The final Rate Design Report was submitted to the Board on January 28, 2009.

During the March-April period, customer feedback was obtained on the alternative rate designs under consideration. A Customer Feedback Report was filed with the Board on June 19, 2009.

Before any rate design changes are finalized, the Rate Design Report is to be assessed at a Technical Conference involving all interested stakeholders, as recommended in the Settlement Agreement. The objective of the Technical Conference is to examine whether new rate design policies should be used in the design of Newfoundland Power's rate structures for its Domestic and General Service customers. The Company continues to discuss with stakeholders the process and timelines for proceeding with the next stage of the Retail Rate Review process.

3. System Performance

A. Reliability

System Reliability [1]	Year to Date			Annual
	Actual 2009	Actual 2008		Plan 2009
Customer Minutes of Outage [2]	16.6	15.2		37.6
SAIDI (Outage hours per customer)	1.21	1.13		2.74
SAIFI (Outages per customer)	0.98	0.89		2.37

[1] Excludes Hydro-related interruptions.
[2] In millions of minutes.

The frequency and duration of outages during the second quarter were lower than that experienced during the second quarter of 2008. Customers experienced 5.7 million minutes of outages in the second quarter of 2009, compared to 7.1 million in the same quarter of 2008.

Both SAIDI and SAIFI attributed to unscheduled outages were the lowest ever recorded during a second quarter. During the 2nd quarter, unscheduled outages resulted in 3.1 million minutes of customer outages in 2009, a 40% decline compared to 5.2 million minutes in 2008.

The significant unplanned power interruptions during the 2nd quarter were:

1. *April 4th:* A faulted lightning arrestor caused an outage to 3,227 customers in the Gambo – Wesleyville area for a total of 491,227 customer minutes.

2. *May 26th*: Snow buildup on trees caused an outage to 1,406 customers in Grand Falls – Windsor for a total of 216,194 customer minutes.

3. *June 23rd*: A broken insulator resulted in an outage to 1,210 customers in the Chamberlains area for a total of 206,910 customer minutes.

Heavy snow in Grand Falls-Windsor in late May.

B. Electricity Supply

Electricity Supply	2nd Quarter			Annual
	Actual 2009	Plan 2009	Actual 2008	Plan 2009
Energy Purchased (GWh)	1,076.0 [1]	1,133.4	1,105.6 [1]	5,130.6
Peak Demand (MW) [2, 3]	1,237.1	1,234.5	1,188.0	1,234.5
Hydro Plant Production (GWh)	112.0	141.3	150.6	425.9
Plant Availability (%)	95.8	95.5	96.2	95.5

[1] Not weather adjusted.

[2] Weather adjusted.

[3] Peak demand for the 2008/2009 winter period occurred on January 27th, 2009 at 8:45 a.m.

Energy purchased during the second quarter was 57.4 GWh lower than plan due to warmer than normal weather conditions and reduced electricity sales, partially offset by lower than normal hydro plant production.

During the 2nd quarter, hydro plant production was 29.3 GWh lower than plan and 38.6 GWh lower than the same quarter in 2008. This lower production is reflective of the low snow cover and dry spring experienced. Compared to a normal inflow of 139.4 GWh, total inflows for the 2nd quarter were 99.4 GWh.

Hydro plant availability was 95.8% in the second quarter compared to a plan of 95.5%. There were 30 forced outages in the 2nd quarter, lower than the 50 experienced in the 2nd quarter of 2008. Year to date there have been 77 forced outages compared to 128 during the same period of 2008.

Mobile River Watershed

On June 25th, 2009, the Trial Division of the Supreme Court of Newfoundland and Labrador heard the City of St. John's' application to set aside the ruling of the arbitration panel regarding the Mobile River watershed lease agreement. A ruling from the Court is pending.

4. Financial Matters

Financial Highlights	2nd Quarter			Annual
	Actual 2009	Plan 2009	Actual 2008	Plan 2009
Revenue ($millions)	118.1	121.1	118.9	520.1
Purchased Power Costs ($millions)	69.2	72.0	69.4	340.6
Operating Costs ($millions) [1]	12.2	12.1	11.9	49.1
Operating Cost per Customer ($)	111	112	110	215
Earnings ($millions) [2]	10.7	11.2	10.1	32.8

[1] Excluding pension and early retirement program costs.
[2] Earnings applicable to common shares.

Financial Results

Revenue for the 2nd quarter of 2009 was $3.0 million less than plan. Second quarter electricity sales decreased by 0.5% compared to the 2nd quarter of 2008. This decrease was composed of a 2.1 per cent decrease in average consumption offset by an increase of 1.6 per cent due to customer growth.

Purchased power costs for the 2nd quarter of 2009 were less than plan due to lower than anticipated electricity sales.

Operating costs for the 2nd quarter were comparable to plan.

Earnings for the 2nd quarter were lower than plan. This primarily reflects lower electricity sales and higher pension costs.

Earnings for the 2nd quarter increased by $0.6 million compared to the 2nd quarter of 2008. The increase was primarily the result of lower amortization costs resulting from a change in the quarterly allocation of amortization costs.

General Rate Application

On May 28th, 2009, the Company filed an application with the PUB proposing an average increase to electricity rates of 6.1% effective January 1st, 2010. The public hearing on this application is scheduled to begin October 14th, 2009.

Debt Issue

On May 25th, 2009, the Company issued $65 million 6.606%, first mortgage sinking fund bonds due May 25th, 2039. The net proceeds from this issuance were used principally to repay amounts outstanding under the Company's committed credit facility. These amounts were previously borrowed primarily for the Company's capital expenditure program.

International Financial Reporting Standards ("IFRS")

The International Accounting Standard Board ("IASB") continued with its ongoing special project on rate-regulated operations during the second quarter. The IASB released an *exposure draft* on rate regulated operations on July 23rd, 2009. A final standard is currently expected to be published by the IASB in 2010. Currently, it appears that the IASB accepts, in principle, that rate regulation may create assets and liabilities recognizable under IFRS; however, uncertainty exists pending completion of the final standard.

5. Capital Program

2009 Capital Expenditures			
	Year to Date		Annual
	Actual	Plan	Plan [1]
Total ($000s)	29,939	28,944	62,421

[1] Plan includes $32,000 carryover for Fermeuse wind turbine project and $1,568,000 for Water Street underground civil work. Annual plan excludes the $750,000 allowance for unforeseen items, and the recently approved $710,000 supplemental application to rebuild a power transformer at Kenmount Substation.

2009 Capital Expenditure

Year-to-date capital expenditures are higher than plan due principally to increased residential connections.

The following capital projects progressed during the 2nd quarter:

- The rebuild of transmission line 111L is proceeding with the section from Port Union to Catalina complete.
- The plant and substation refurbishment at the Rocky Pond hydroelectric facility is on schedule.
- Refurbishment and modernization of the Kingsbridge Substation in St. John's has started with the civil work under way.

On July 27th, 2009, the PUB approved a supplemental capital budget application to rebuild one of the two power transformers at the Kenmount Substation at a cost of approximately $710,000. This unit failed in March.

Electrical Maintenancepersons Russ Kennedy and Terry Kennedy work on the Kingsbridge Substation refurbishment.

2010 Capital Budget Application

On June 19th, 2009, the Company filed an application with the PUB requesting approval for its 2010 capital expenditure plan totalling $64.7 million.

6. Safety

Safety Performance	Year to Date		Annual
	Actual 2009	Actual 2008	Plan 2009
Injury Frequency Rate [1]	0.7	2.8	2.2 [2]

[1] Injuries per 200,000 hours worked.
[2] Based on a 10% improvement over the three-year average from 2006 to 2008.

Safety Performance

During the second quarter and year to date, there was one medical aid and one lost time injury resulting in 35 days of lost time. The safety results improved over the first half of 2008, during which four medical aid and four lost time injuries occurred, resulting in 369 days of lost time.

There were four preventable vehicle accidents during the quarter bringing the mid-year total to twelve. This compares with ten preventable vehicle accidents recorded in the first half of 2008.

OHSD Regulation

On April 21st, 2009, the Company received a stop work order from the Occupational Health and Safety Division ("OHSD") resulting from an inspection of a Company contractor working in the Beck's Cove area of St. John's. The contractor's employees were observed on the roof of a building without adequate fall protection equipment. Company officials met with the Contractor and the OHSD Officer at the site, at which time the procedures for fall protection were reviewed and implemented. The stop work order was lifted and work proceeded without further incident.

On May 14th, 2009, an inspection of two line crews working in Grand Bank was conducted by OHSD. No orders were issued. The OHSD Officer questioned the work procedures being used. After clarification was provided, it was determined that the procedures used by the crews were correct. Subsequently, a communication was sent to employees reminding them of the requirement to use rubber gloves while working on energized low voltage circuits.

Safety Management

On April16th, 2009, a new internal safety awareness and communication program was introduced, *Safety.... Live It.* The program challenges employees to become more active in safety at both work and home.

The Company presented its findings on the employee electrical fatality that occurred in October 2008 to the Canadian Electricity Association's OH&S Task Group and safety representatives from Fortis utilities.

John Curran, Safety & Environmental Specialist, and Maureen Penney, Safety Coordinator, unveil the new internal safety logo.

North American Occupational Safety and Health Week was celebrated throughout the Company from May 3rd to 9th. Safety related activities were conducted, including worksite inspections, work observations, safety meetings and safety training. The week also included health and wellness activities such as heart healthy breakfasts, lifestyle/wellness presentations and fitness walks.

During the 2nd quarter, training was delivered to approximately 250 employees to increase hazard awareness regarding switching in substations. Additionally, operations staff were provided training on new traffic control procedures.

Three departments achieved significant safety milestones during the second quarter. On April 20th, 2009, employees in the Burin Area celebrated seven years without a lost-time injury. As of April 5th, 2009, Stephenville employees had worked three years without a lost-time injury. As of June 5th, 2009, the Customer Relations Department had worked one year without a lost-time injury or medical aid.

Public Safety

There were two electrical incidents involving the public during the 2nd quarter. On April 17th, 2009, an excavator damaged a service wire in Bay Roberts. On June 17th, 2009, an employee working for a telecommunications contractor received an electrical sensation upon contacting a telecommunications cable strand wire. No injuries resulted from these incidents.

During the 2nd quarter, electrical safety information was presented to fourteen elementary school classes and 100 volunteer fire fighters.

7. Environment

Environment Performance	Year to Date		Annual
	Actual 2009	Actual 2008	Plan 2009
Number of Oil Spills	37	36	62
Reportable PCB oil spills [1]	1	1	2
Volume of Oil Spills (Litres)	945	490	961

[1] PCB spills must be reported if any of the following conditions exist:
- All PCB spills that have a concentration of 50 ppm PCBs or more.
- All PCB spills that exceed one gram of PCBs.
- All oil spills of equipment in storage / inventory (not in use) that exceed a concentration of 2 ppm PCBs regardless of quantity.

The number of spills reported to the end of June 2009 is comparable to the number of spills for the same period in 2008. The volume of spills nearly doubled due to a single spill of 519 litres at Holy Trinity School, Torbay.

Environmental Management

A new electronic reporting system named "PREVENT" was launched. This system combines and simplifies reporting of spills, employee injuries, vehicle, environmental and near-miss incidents.

Environmental training was provided to 301 employees and 111 contractor employees in the 2nd quarter bringing the totals for the year to 326 and 139 respectively.

In late June, a web based Environmental Job Specific Training Module for the Generation group was launched to complement the existing training program.

8. Community

EnviroFest 2009

More than 5,000 individuals participated in the 12th annual *EnviroFest* celebrations. Eight events were held in early June in partnership with the Provincial Government. During *EnviroFest*, individuals and communities were encouraged to takeCHARGE of their Environment. *EnviroFest* celebrations included legacy tree planting and beautification projects at Goulds Elementary and Fatima Academy, and in the Towns of St. Bride's, Port Union and Deer Lake.

Employees and community volunteers undertook a tree planting in Deer Lake.

Motorcycle Ride for Dad

On June 20th, 2009, the Company's Kenmount Road parking lot was the site of the start and finish of the Motorcycle Ride for Dad. Bob Pike, Manager, Corporate Relations, is a member of the Ride's Volunteer Executive Team. The event raised approximately $75,000 for prostate cancer research and education in Newfoundland and Labrador.

The Company's Kenmount Road parking lot prior to the start of the Motorcycle Ride for Dad.

Volunteer Week

Every year in April, Community Services Council, Newfoundland and Labrador hosts Volunteer Week. This year, the theme was "Volunteers Light Up Communities". Earl Ludlow was appointed Honorary Chair of Volunteer Week. The Company participated in events in Corner Brook, Gander and St. John's where individuals were recognized for their commitment to volunteerism.

The Power of Life Project

The 13th annual Garden of Hope Radiothon took place on April 22nd, 2009 and again this year employees donated their time to answer the phones. Proceeds from the Radiothon go toward development and maintenance of the Dr. H. Bliss Murphy Cancer Care Foundation's Gardens of Hope in St. John's and Grand Falls-Windsor.

During the weekend of June 5th, 2009, employees, families and friends gathered in St. John's and Stephenville to participate in two events in support of *The Power of Life Project*. A golf tournament at Harmon Seaside Links in Stephenville and the 2nd Annual Peter Halliday Memorial Softball Tournament in Pleasantville raised approximately $6,000.

FINANCIAL STATEMENTS

NEWFOUNDLAND POWER INC.
BALANCE SHEETS
As At June 30
($000s)

	2009	2008 [1]
Capital Assets		
Property plant and equipment	1,201,493	1,156,476
Less: accumulated depreciation	431,564	412,293
	769,929	744,183
Current Assets		
Cash	2,572	932
Accounts receivable	59,095	62,202
Income tax receivable	1,605	-
Materials and supplies	1,019	948
Prepaid expenses	711	735
Regulatory assets	10,360	7,634
	75,362	72,451
Accrued Pension and Other	96,480	91,737
Regulatory Assets	196,732	57,197
Intangible Assets, net of amortization	15,641	16,013
Customer Finance Plans	1,714	1,731
Total Assets	**1,155,858**	**983,312**
Shareholders' Equity		
Common shares	70,321	70,321
Retained earnings	307,753	294,997
Common shareholder's equity	378,074	365,318
Preference shares	9,113	9,352
	387,187	374,670
Current Liabilities		
Short-term borrowings	-	400
Accounts payable and accrued charges	40,838	37,113
Regulatory liabilities	9,956	7,724
Current portion of long-term debt	5,200	23,050
Future income taxes	129	-
Income tax payable	-	2,034
Due to related party	-	32,500
	56,123	102,821
Future Income Taxes	120,565	554
Long-term Debt	471,166	406,066
Other Liabilities	47,543	41,241
Regulatory Liabilities	73,274	57,960
Total Shareholders' Equity and Liabilities	**1,155,858**	**983,312**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS
For The Periods Ended June 30
($000s)

	SECOND QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2009	Plan 2009	Actual 2008	Actual 2009	Plan 2009	Actual 2008	Plan 2009	Actual 2008
Revenue	118,118	121,077	118,845	287,801	285,085	283,765	520,084	516,889
Purchased Power	69,213	72,007	69,426	196,543	194,572	191,900	340,582	336,658
Contribution	48,905	49,070	49,419	91,258	90,513	91,865	179,502	180,231
Operating Expenses	12,151	12,089	11,860	25,233	25,553	24,802	49,122	47,132
Pension and Early Retirement Program Costs	699	171	746	1,323	372	1,533	771	3,040
Amortization	10,318	10,277	11,097	20,369	20,292	20,373	41,639	40,649
Amortization True-Up Deferral	965	966	1,040	1,931	1,932	1,931	3,860	3,862
Finance Charges	8,542	8,609	8,546	16,748	17,121	17,066	34,230	33,507
Earnings Before Income Taxes	16,230	16,958	16,130	25,654	25,243	26,160	49,880	52,041
Income Taxes	5,330	5,606	5,925	8,440	8,341	9,616	16,466	19,146
Net Earnings	10,900	11,352	10,205	17,214	16,902	16,544	33,414	32,895
Dividends on Preference Shares	143	146	146	290	294	260	586	554
Earnings Applicable to Common Shares	**10,757**	**11,206**	**10,059**	**16,924**	**16,608**	**16,284**	**32,828**	**32,341**

NEWFOUNDLAND POWER INC.
STATEMENTS OF RETAINED EARNINGS
For The Periods Ended June 30
($000s)

	2009	2008
Balance, Beginning of the Period	303,417	286,350
Net Earnings	17,214	16,544
Dividends		
Preference Shares	(290)	(260)
Common Shares	(12,588)	(7,637)
Balance, End of the Period	**307,753**	**294,997**

NEWFOUNDLAND POWER INC.
STATEMENTS OF CASHFLOWS
For The Periods Ended June 30
($000s)

	2009	2008 [1]
Cash From (Used In) Operating Activities		
Net earnings	17,214	16,544
Items not affecting cash:		
Amortization of capital assets	18,923	18,823
Amortization of intangibles and other	1,569	1,700
Change in regulatory assets amd liabilities	857	1,479
Future income taxes	942	554
Employee future benefits	(3,135)	(3,023)
Change in non-cash working capital	(28,960)	(17,909)
	7,410	18,168
Cash From (Used In) Investing Activities		
Capital expenditures (net of salvage)	(30,850)	(28,574)
Intangible asset expenditures	(942)	(1,098)
Contributions in aid of construction	1,451	722
Other	(121)	144
	(30,462)	(28,806)
Cash From (Used In) Financing Activities		
Change in short-term borrowings	-	400
Net proceeds from (repayment of) committed credit facility	(26,500)	(14,500)
Proceeds from long-term debt	65,000	-
Proceeds from related party loan	-	32,500
Payment of debt financing costs	(378)	-
Redemption of preference shares	(239)	-
Dividends		
Preference shares	(290)	(260)
Common shares	(12,588)	(7,637)
	25,005	10,503
Increase/(Decrease) in Cash	1,953	(135)
Cash, Beginning of the Period	619	1,067
Cash, End of the Period	**2,572**	**932**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

APPENDICES

NEWFOUNDLAND POWER INC.
ELECTRICITY STATISTICS
For The Periods Ended June 30

	SECOND QUARTER		YEAR TO DATE		ANNUAL
	2009	2008	2009	2008	2008
Sales (GWh)					
Actual	1,125.3	1,189.6	2,861.0	2,897.4	5,115.2
Weather adjusted	1,177.2	1,183.0	2,940.1	2,899.2	5,208.2
Plan[1]	1,206.3		2,917.9		
Produced & Purchased (GWh)					
Actual	1,188.0	1,256.2	3,037.1	3,075.9	5,415.6
Weather adjusted	1,242.8	1,249.3	3,120.8	3,077.8	5,513.8
Plan[1]	1,273.9		3,097.2		
Hydro Production (GWh)					
Actual	112.0	150.6	232.8	285.1	454.3

[1] Based on Customer, Energy and Demand Forecast dated April 4, 2008.

NEWFOUNDLAND POWER INC.
STATEMENTS OF ELECTRICITY SOLD (GWh)
For The Periods Ended June 30

WEATHER ADJUSTED

	SECOND QUARTER			YEAR TO DATE			ANNUAL	
BY SALES CATEGORY	**Actual 2009**	**Plan[1] 2009**	**Actual 2008**	**Actual 2009**	**Plan[1] 2009**	**Actual 2008**	**Plan[1] 2009**	**Actual 2008**
Residential	691.5	705.4	694.1	1,830.7	1,806.2	1,794.7	3,135.2	3,130.3
Commercial								
0-10 kW	20.1	20.9	20.3	48.3	48.1	48.6	88.7	88.8
10-100 kW	146.2	153.0	147.3	349.6	357.3	353.0	657.3	641.8
110-1000 kVA	202.9	213.6	206.3	471.7	478.0	469.8	902.2	878.5
1000 kVA and Over	109.6	106.4	108.1	222.7	211.2	216.0	424.6	432.3
Total Commercial	478.8	493.9	482.0	1,092.3	1,094.6	1,087.4	2,072.8	2,041.4
Street Lighting	6.9	7.0	6.9	17.1	17.1	17.1	36.5	36.5
Total Sales	**1,177.2**	**1,206.3**	**1,183.0**	**2,940.1**	**2,917.9**	**2,899.2**	**5,244.5**	**5,208.2**
BY REGION								
Eastern[2]	827.0	853.1	832.8	2,065.6	2,060.7	2,041.2	3,692.7	3,659.5
Western[3]	350.2	353.2	350.2	874.5	857.2	858.0	1,551.8	1,548.7
Total Sales	**1,177.2**	**1,206.3**	**1,183.0**	**2,940.1**	**2,917.9**	**2,899.2**	**5,244.5**	**5,208.2**

[1] Based on Customer, Energy and Demand Forecast dated April 4, 2008.

[2] Eastern Region includes the St. John's, Avalon, Burin and Clarenville operating areas

[3] Western Region includes the Gander, Grand Falls - Windsor, Corner Brook and Stephenville operating areas

NEWFOUNDLAND POWER INC.
STATEMENTS OF REVENUE
For The Periods Ended June 30
($000s)

WEATHER ADJUSTED

BY SALES CATEGORY	SECOND QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2009	Plan [1] 2009	Actual 2008	Actual 2009	Plan [1] 2009	Actual 2008	Plan [1] 2009	Actual 2008
Residential	67,990	69,050	68,143	173,939	171,860	171,039	303,405	302,916
Commercial								
0-10 kW	2,715	2,778	2,746	6,261	6,209	6,319	11,652	11,742
10-100 kW	14,600	15,166	14,640	34,017	34,773	34,368	64,699	63,129
110-1000 kVA	16,827	17,584	16,954	39,022	39,444	38,755	75,000	72,997
1000 kVA and Over	7,773	7,361	7,706	16,056	15,009	15,631	30,242	31,208
Total Commercial	41,915	42,889	42,046	95,356	95,435	95,073	181,593	179,076
Street Lighting	3,181	3,206	3,180	6,399	6,410	6,360	12,839	12,722
Forfeited Discounts	641	778	682	1,622	1,731	1,622	2,846	2,646
Revenue From Rates	**113,727**	**115,923**	**114,051**	**277,316**	**275,436**	**274,094**	**500,683**	**497,360**
Energy Supply Cost Variance [2]	(542)	503	(300)	1,117	403	(231)	1,004	(388)
2008 Tax Deferral [3]	-	-	(336)	-	-	(560)	-	(560)
Amortizations [4]								
2005 Unbilled Income Tax Settlement	-	-	700	-	-	1,296	-	2,592
2005 Unbilled Remaining Balance	1,155	1,155	1,242	2,310	2,310	2,309	4,618	4,618
Total Reported Revenue	**114,340**	**117,581**	**115,357**	**280,743**	**278,149**	**276,908**	**506,305**	**503,622**
Other Revenue	3,778	3,496	3,488	7,058	6,936	6,857	13,779	13,267
Total Operating Revenue	**118,118**	**121,077**	**118,845**	**287,801**	**285,085**	**283,765**	**520,084**	**516,889**

[1] Based on 2009 sales forecast dated April 4, 2008 and rates effective July 1, 2008 as approved by Orders No. P.U. 35(2008).
[2] Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).
[3] Disposition of balance in the Tax Deferral Account as approved in Order No. P.U. 10 (2008).
[4] Revenue amortizations as approved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
SUMMARY OF WEATHER ADJUSTMENTS
For The Periods Ended June 30
($000s)

	SECOND QUARTER			YEAR TO DATE			ANNUAL	
REVENUE FROM ELECTRICITY SALES	**Actual 2009**	**Plan [1] 2009**	**Actual 2008**	**Actual 2009**	**Plan [1] 2009**	**Actual 2008**	**Plan [1] 2009**	**Actual 2008**
Actual	109,540	115,923	114,587	270,949	275,436	273,954	500,683	489,785
Degree Day & Wind Adjustment	4,187	-	(536)	6,367	-	140	-	7,575
Weather Adjusted	**113,727**	**115,923**	**114,051**	**277,316**	**275,436**	**274,094**	**500,683**	**497,360**
Energy Supply Cost Variance [2]	(542)	503	(300)	1,117	403	(231)	1,004	(388)
2008 Tax Deferral [3]	-	-	(336)	-	-	(560)	-	(560)
Amortizations [4]								
2005 Unbilled Income Tax Settlement	-	-	700	-	-	1,296	-	2,592
2005 Unbilled Remaining Balance	1,155	1,155	1,242	2,310	2,310	2,309	4,618	4,618
Total Reported Revenue	**114,340**	**117,581**	**115,357**	**280,743**	**278,149**	**276,908**	**506,305**	**503,622**
PURCHASED POWER EXPENSE								
Actual	66,465	71,506	68,530	190,375	193,570	188,113	338,572	321,557
Degree Day & Wind Adjustment	4,824	-	(608)	7,364		168	-	8,652
Hydro Equalization Adjustment	(2,580)	-	904	(2,198)		2,555	-	3,797
Purchased Power Weather Adjusted	**68,709**	**71,506**	**68,826**	**195,541**	**193,570**	**190,836**	**338,572**	**334,006**
Demand Management Incentive Account [5]	-	-	63	-	-	63	-	641
Amortizations [6]								
Rattling Brook Deferral	150	150	161	300	300	299	597	598
PPUCVR Balance at Dec 31, 2006	(174)	(177)	(185)	(348)	(348)	(344)	(688)	(688)
Weather Normalization Reserve	528	528	561	1,050	1,050	1,046	2,101	2,101
Weather Adjusted	**69,213**	**72,007**	**69,426**	**196,543**	**194,572**	**191,900**	**340,582**	**336,658**

[1] Based on 2009 sales forecast dated April 4, 2008 and rates effective July 1, 2008 as approved by Orders No. P.U. 35(2008).
[2] Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).
[3] Disposition of balance in the Tax Deferral Account as approved in Order No. P.U. 10 (2008).
[4] Revenue amortizations as approved in Order No. P.U. 32(2007).
[5] Demand Management Incentive Account as approved in Order No. P.U. 32(2007).
[6] Amortizations for 2008 as appproved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS - DETAIL
For The Periods Ended June 30
($000s)

	SECOND QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2009	Plan 2009	Actual 2008	Actual 2009	Plan 2009	Actual 2008	Plan 2009	Actual 2008
Other Revenue								
Joint Use Revenue								
Aliant	1,864	1,788	1,795	3,609	3,576	3,491	7,152	6,981
CATV	499	482	468	1,001	965	938	1,945	1,880
Total Joint Use Revenue	2,363	2,270	2,263	4,610	4,541	4,429	9,097	8,861
Miscellaneous								
Customer Jobbing	175	148	149	273	250	263	568	434
Rental Income	10	5	4	10	10	14	20	26
Municipal Tax Liability [1]	342	340	367	684	681	681	1,362	1,362
Interest - Customer Accounts	244	390	341	510	755	721	1,358	1,155
Interest - RSA	12	16	16	62	44	53	56	116
Interest - CIAC	26	24	26	53	48	52	100	108
Interest - Other	31	38	34	64	77	69	150	135
Reconnections	22	22	27	28	33	35	73	84
NSF Cheque Charges	8	5	10	18	11	21	20	38
Wheeling Charges	135	152	180	295	325	336	613	615
Miscellaneous	351	24	7	344	49	68	100	65
Service Connection Fees	59	62	64	107	112	115	262	268
Total Miscellaneous	1,415	1,226	1,225	2,448	2,395	2,428	4,682	4,406
Total Other Revenue	**3,778**	**3,496**	**3,488**	**7,058**	**6,936**	**6,857**	**13,779**	**13,267**
Finance Charges								
Interest on Long-term Debt	8,456	8,016	8,105	16,471	16,031	16,211	31,971	32,334
Interest on Long-term Committed Credit Facility	140	636	474	332	1,143	853	2,444	1,445
Interest on Short-term Uncommitted Demand Facility	6	-	9	7	-	10	-	11
Amortization of Deferred Debt Issue Costs	55	45	59	104	89	118	177	236
Amortization of Capital Stock Issue Expenses	10	10	15	19	19	31	38	62
Interest on Security Deposits	1	-	10	6	-	22	-	37
Allowance For Funds Used During Construction (AFUDC)	(126)	(98)	(126)	(191)	(161)	(179)	(400)	(618)
Total Finance Charges	**8,542**	**8,609**	**8,546**	**16,748**	**17,121**	**17,066**	**34,230**	**33,507**

[1] Amortization of the Municipal Tax Liability as approved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
CUSTOMER AND EMPLOYEE STATISTICS
As At June 30

	SECOND QUARTER		ANNUAL	
	Actual 2009	**Actual 2008**	**Plan 2009**	**Actual 2008**
Customers	237,261	233,563	237,723	235,778
Employees [1]				
Regular	571	549	562	551
Temporary	70	67	76	77
Total	641	616	638	628

[1] Refers to full time equivalents.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY AREA
For The Periods Ended June 30

	SAIFI					SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR	QUARTER		12 MONTH TO DATE		5 YEAR
AREA	2009 #	2008 #	2009 #	2008 #	TO DATE # / YEAR	2009 HOURS	2008 HOURS	2009 HOURS	2008 HOURS	TO DATE HRS. / YEAR
St. John's	0.13	0.19	2.25	2.88	2.36	0.24	0.20	2.12	3.23	2.40
Avalon	0.19	0.32	1.82	2.28	2.07	0.21	0.18	1.91	3.45	3.00
Burin	0.97	0.56	4.36	4.35	4.94	0.54	0.64	4.20	4.13	4.35
Bonavista	0.29	1.13	4.70	6.73	4.99	0.54	2.26	5.09	42.21	12.32
Gander	1.12	1.66	4.23	3.31	4.26	1.00	1.78	4.65	6.61	5.42
Grand Falls	0.93	0.20	3.78	2.01	3.06	1.10	0.46	4.07	2.37	4.12
Corner Brook	0.19	0.15	1.88	3.77	2.48	0.27	0.30	2.60	3.89	2.81
Stephenville	0.37	0.19	4.82	2.93	4.51	0.25	0.31	2.96	3.19	4.33
Company Totals	**0.36**	**0.41**	**2.89**	**3.16**	**2.99**	**0.41**	**0.53**	**2.87**	**6.19**	**3.81**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended June 30

ORIGIN	SAIFI				
	QUARTER		12 MONTH TO DATE		5 YEAR TO DATE # / YEAR
	2009 #	2008 #	2009 #	2008 #	
Loss of Supply (NF Hydro)	0.01	0.00	0.43	0.78	0.52
Transmission	0.14	0.14	0.82	0.79	0.84
Distribution	0.21	0.27	1.64	1.59	1.63
Company Totals	**0.36**	**0.41**	**2.89**	**3.16**	**2.99**

System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended June 30

ORIGIN	SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR TO DATE HRS. / YEAR
	2009 HOURS	2008 HOURS	2009 HOURS	2008 HOURS	
Loss of Supply (NF Hydro)	0.00	0.00	0.11	0.53	0.23
Transmission	0.08	0.12	0.68	0.72	0.76
Distribution	0.33	0.41	2.08	4.94	2.82
Company Totals	**0.41**	**0.53**	**2.87**	**6.19**	**3.81**

System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BREAKDOWN REPORT
Second Quarter 2009

	SCHEDULED		UNSCHEDULED		TOTAL	
AREA	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS
St. John's	0.05	0.14	0.08	0.10	0.13	0.24
Avalon	0.02	0.05	0.17	0.16	0.19	0.21
Burin	0.32	0.36	0.65	0.18	0.97	0.54
Bonavista	0.22	0.30	0.07	0.24	0.29	0.54
Gander	0.61	0.39	0.51	0.61	1.12	1.00
Grand Falls	0.25	0.45	0.68	0.65	0.93	1.10
Corner Brook	0.02	0.02	0.17	0.25	0.19	0.27
Stephenville	0.24	0.10	0.13	0.15	0.37	0.25
Company Totals	**0.14**	**0.18**	**0.22**	**0.23**	**0.36**	**0.41**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.

CAPITAL EXPENDITURE PROGRESS REPORT

For the Period Ended June 30, 2009

Introduction

The Capital Expenditure Progress Report summarizes the capital expenditures of the various capital accounts of the Company and lists any new lease obligations in excess of $5,000 per year.

The report contains three sections:

1. The Budget section outlines the annual capital expenditure budget approved by the Public Utilities Board for the current year.

2. The Expenditure section outlines actual capital expenditures for the current quarter and year to date, and indicates the balance of the annual capital budget remaining to be expended (difference between annual budget and year to date actual).

3. The Leasing Arrangement section includes a brief description of the item being leased, the leasing period, and the annual and quarterly leasing costs.

NEWFOUNDLAND POWER INC.
CAPITAL EXPENDITURE PROGRESS REPORT
For the Period Ended June 30, 2009
($000s)

	BUDGET	EXPENDITURE [1]		
	Approved by Order No. P.U. 27(2008)	Second Quarter	Year To Date	Unexpended Balance
Generation Hydro	8,899	2,069	2,483	6,416
Generation Thermal	100	26	43	57
Substations	7,172	1,389	2,855	4,317
Transmission	4,507	778	1,043	3,464
Distribution	30,178	10,039	17,717	12,461
General Property	835	143	269	566
Transportation	2,255	1,411	1,879	376
Telecommunications	350	76	158	192
Information Systems	3,725	739	1,813	1,912
Unforeseen Items	750	-	-	750
General Expenses Capital	2,800	735	1,564	1,236
TOTAL	61,571	17,405	29,824	31,747

Leasing Arrangements Entered Into

Brief Description	Period	Annual Cost	Quarterly Payments
	There were no lease obligations in excess of $5,000 annually entered into during the second quarter of 2009.		

[1] Excludes capital expenditures of approximately $115,000 related to prior years capital projects carried forward into 2009.

NEWFOUNDLAND POWER INC.

INTER-COMPANY TRANSACTIONS REPORT

For the Period Ended June 30, 2009

Introduction

The Inter-Company Transactions Report summarizes transactions between the Company and related corporations on a quarterly and year-to-date basis. The report itemizes the charges by type and distinguishes between regulated and non-regulated charges. The report also documents any contracts, agreements or loans between Newfoundland Power and any related corporation that were signed in the current quarter.

The report is divided into four sections as follows:

1. The first section aggregates charges from all related corporations and presents a summary, by charge type, for the current quarter and year-to-date with comparable data for the same period last year, as well as annual charges for the previous year.

2. The second section breaks down the charges ***from*** each individual associated corporation and presents an itemized quarterly summary for the current year and year-to-date with comparable data for the same period last year, as well as annual charges for the previous year.

3. The third section breaks down the charges ***to*** each individual associated corporation and presents an itemized quarterly summary for the current year and year-to-date with comparable data for the same period last year, as well as annual charges for the previous year.

4. The fourth section lists any contracts or agreements that were signed between the Company and any related corporation as well as any loans with related corporations. Loan information provided includes the amount of the loan, the date of borrowing and date of repayment, the interest rate, and total interest paid.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Summary of Charges
For The Period Ended June 30, 2009

Charges from Associated Companies

Regulated Charges	Second Quarter 2009	Second Quarter 2008	Year To Date 2009	Year To Date 2008	Annual 2008
Trustee & Share Plan Costs	$ 10,000	$ 8,000	$ 20,000	$ 16,000	$ 34,000
Hotel/Banquet Facilities	4,245	382	8,625	8,722	52,171
Staff Charges	-	-	12,000	-	-
Joint-use Pole Purchases	1,027	3,533	2,364	13,667	108,942
Miscellaneous	17,451	28,027	44,195	46,643	68,978
Sub-total	$ 32,723	$ 39,942	$ 87,184	$ 85,032	$ 264,091

Non-Regulated Charges	Second Quarter 2009	Second Quarter 2008	Year To Date 2009	Year To Date 2008	Annual 2008
Directors' Fees & Travel	$ 43,000	$ 53,000	$ 86,000	$ 109,000	$ 112,000
Annual & Quarterly Reports	28,000	30,000	56,000	61,000	96,000
Staff Charges	50,000	22,000	100,000	46,000	120,000
Miscellaneous	460,521	413,057	521,521	460,057	590,057
Sub-total	$ 581,521	$ 518,057	$ 763,521	$ 676,057	$ 918,057
TOTAL	$ 614,244	$ 557,999	$ 850,705	$ 761,089	$ 1,182,148

Charges to Associated Companies

	Second Quarter 2009	Second Quarter 2008	Year To Date 2009	Year To Date 2008	Annual 2008
Printing & Stationery	$ 265	$ 238	$ 502	$ 649	$ 1,216
Postage	5,643	5,491	11,357	10,913	19,907
Staff Charges	108,350	205,615	252,730	327,363	1,057,284
Staff Charges - Insurance	74,857	73,558	143,668	123,115	229,330
IS Charges	-	2,841	-	2,841	31,192
Pole Installations	4,591	5,541	7,896	9,011	19,295
Miscellaneous	10,887	7,046	14,372	11,680	154,799
TOTAL	$ 204,593	$ 300,330	$ 430,525	$ 485,572	$ 1,513,023

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended June 30, 2009

	Second Quarter 2009			Second Quarter 2008		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.						
Directors' Fees & Travel	$ -	$ 43,000	$ 43,000	$ -	$ 53,000	$ 53,000
Annual & Quarterly Reports	-	28,000	28,000	-	30,000	30,000
Trustee & Share Plan Costs	10,000	-	10,000	8,000	-	8,000
Staff Charges	-	50,000	50,000	-	22,000	22,000
Joint-use Pole Purchases [1]	1,027	-	1,027	3,533	-	3,533
Miscellaneous	6,567	460,521	467,088	20,292	413,057	433,349
Total	$ 17,594	$ 581,521	$ 599,115	$ 31,825	$ 518,057	$ 549,882
Fortis Properties Corporation						
Staff Charges	$ -	$ -	$ -	$ -	$ -	$ -
Hotel/Banquet Facilities	4,245	-	4,245	382	-	382
Miscellaneous	3,178	-	3,178	-	-	-
Total	$ 7,423	$ -	$ 7,423	$ 382	$ -	$ 382
Maritime Electric Co. Ltd.						
Miscellaneous	$ 2,570	$ -	$ 2,570	$ -	$ -	$ -
Total	$ 2,570	$ -	$ 2,570	$ -	$ -	$ -
FortisOntario Inc.						
Miscellaneous	$ -	$ -	$ -	$ 3,200	$ -	$ 3,200
Total	$ -	$ -	$ -	$ 3,200	$ -	$ 3,200
FortisBC Inc.						
Miscellaneous	$ 5,136	$ -	$ 5,136	$ 4,535	$ -	$ 4,535
Total	$ 5,136	$ -	$ 5,136	$ 4,535	$ -	$ 4,535

[1] In 2008, charges from Fortis Inc. relating to Joint-use Pole Purchases were included in the Miscellaneous category.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended June 30, 2009

	Year To Date 2009			Year To Date 2008			Annual 2008		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.									
Directors' Fees and Travel	$ -	$ 86,000	$ 86,000	$ -	$ 109,000	$ 109,000	$ -	$ 112,000	$ 112,000
Annual & Quarterly Reports	-	56,000	56,000	-	61,000	61,000	-	96,000	96,000
Trustee & Share Plan Costs	20,000	-	20,000	16,000	-	16,000	34,000	-	34,000
Staff Charges	-	100,000	100,000	-	46,000	46,000	-	120,000	120,000
Joint-use Pole Purchases [1]	2,364	-	2,364	13,667	-	13,667	108,942	-	108,942
Miscellaneous	28,540	521,521	550,061	22,292	460,057	482,349	27,783	590,057	617,840
Total	$ 50,904	$ 763,521	$ 814,425	$ 51,959	$ 676,057	$ 728,016	$ 170,725	$ 918,057	$ 1,088,782
Fortis Properties Corporation									
Staff Charges	$ 12,000	$ -	$ 12,000	$ -	$ -	$ -	$ -	$ -	$ -
Hotel/Banquet Facilities	8,625	-	8,625	8,722	-	8,722	52,171	-	52,171
Miscellaneous	3,178	-	3,178	5,569	-	5,569	5,569	-	5,569
Total	$ 23,803	$ -	$ 23,803	$ 14,291	$ -	$ 14,291	$ 57,740	$ -	$ 57,740
Maritime Electric Co. Ltd.									
Miscellaneous	$ 5,206	$ -	$ 5,206	$ -	$ -	$ -	$ 2,497	$ -	$ 2,497
Total	$ 5,206	$ -	$ 5,206	$ -	$ -	$ -	$ 2,497	$ -	$ 2,497
FortisOntario Inc.									
Miscellaneous	$ -	$ -	$ -	$ 9,172	$ -	$ 9,172	$ 9,172	$ -	$ 9,172
Total	$ -	$ -	$ -	$ 9,172	$ -	$ 9,172	$ 9,172	$ -	$ 9,172
FortisBC Inc.									
Miscellaneous	$ 7,271	$ -	$ 7,271	$ 9,610	$ -	$ 9,610	$ 23,957	$ -	$ 23,957
Total	$ 7,271	$ -	$ 7,271	$ 9,610	$ -	$ 9,610	$ 23,957	$ -	$ 23,957

[1] In 2008, charges from Fortis Inc. relating to Joint-use Pole Purchases were included in the Miscellaneous category.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended June 30, 2009

	Second Quarter 2009	Second Quarter 2008	Year To Date 2009	Year To Date 2008	Annual 2008
Fortis Inc. [1]					
Printing & Stationery	$ 60	$ 40	$ 60	$ 95	$ 135
Postage	5,643	5,491	11,357	10,913	19,907
Staff Charges	66,299	87,284	140,342	149,517	324,686
Staff Charges - Insurance	67,669	63,442	123,054	89,662	148,679
IS Charges	-	2,694	-	2,694	8,971
Pole Installations	4,591	5,541	7,896	9,011	19,295
Miscellaneous	3,410	235	3,847	2,354	6,056
Total	$ 147,672	$ 164,727	$ 286,556	$ 264,246	$ 527,729
Fortis Properties Corporation					
Printing & Stationery	$ 205	$ 198	$ 442	$ 554	$ 1,081
Staff Charges - Insurance	3,312	5,039	10,065	7,917	26,905
IS Charges	-	-	-	-	4,432
Miscellaneous	1,250	360	1,851	1,640	6,301
Total	$ 4,767	$ 5,597	$ 12,358	$ 10,111	$ 38,719
Maritime Electric Co. Ltd.					
Staff Charges	$ 794	$ 2,721	$ 1,141	$ 4,891	$ 6,036
Staff Charges - Insurance	182	143	619	194	5,834
IS Charges	-	-	-	-	2,424
Miscellaneous	-	-	101	81	1,081
Total	$ 976	$ 2,864	$ 1,861	$ 5,166	$ 15,375
FortisOntario Inc.					
Staff Charges - Insurance	$ 3,046	$ -	$ 3,180	$ 459	$ 4,638
IS Charges	-	-	-	-	2,424
Miscellaneous	-	-	3	-	850
Total	$ 3,046	$ -	$ 3,183	$ 459	$ 7,912
Fortis US Energy Corporation					
Staff Charges - Insurance	$ -	$ -	$ -	$ -	$ 2,424
Total	$ -	$ -	$ -	$ -	$ 2,424
Belize Electric Company Limited					
Staff Charges	$ 15,208	$ 19,476	$ 37,278	$ 51,323	$ 89,390
Staff Charges - Insurance	216	-	1,026	592	1,996
Total	$ 15,424	$ 19,476	$ 38,304	$ 51,915	$ 91,386

[1] In prior reports, Fortis Inc. included charges to Terasen Gas Inc., Caribbean Utilities Co. Limited, and Fortis Turks and Caicos. Charges to these companies are now shown separately in the report. As result of this change charges to Fortis Inc. in 2008 have been restated.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended June 30, 2009

	Second Quarter 2009	Second Quarter 2008	Year To Date 2009	Year To Date 2008	Annual 2008
Belize Electricity Limited					
Staff Charges	$ -	$ 5,247	$ 889	$ 13,319	$ 23,173
Staff Charges - Insurance	-	-	2,376	395	661
IS Charges	-	85	-	85	4,240
Miscellaneous	1,405	119	1,606	540	19,564
Total	$ 1,405	$ 5,451	$ 4,871	$ 14,339	$ 47,638
FortisAlberta Inc.					
Staff Charges	$ -	$ 48,000	$ -	$ 58,969	$ 152,837
Staff Charges - Insurance	-	162	432	3,707	7,361
IS Charges	-	62	-	62	391
Miscellaneous	-	6,005	551	6,492	18,180
Total	$ -	$ 54,229	$ 983	$ 69,230	$ 178,769
FortisBC Inc.					
Staff Charges	$ -	$ -	$ -	$ -	$ -
Staff Charges - Insurance	-	266	216	4,540	9,344
IS Charges	-	-	-	-	8,310
Miscellaneous	-	-	225	162	3,362
Total	$ -	$ 266	$ 441	$ 4,702	$ 21,016
Terasen Gas Inc.					
Staff Charges	$ -	$ -	$ -	$ -	$ 216
Staff Charges - Insurance	-	988	-	10,158	12,485
Miscellaneous	-	128	420	131	134
Total	$ -	$ 1,116	$ 420	$ 10,289	$ 12,835
Caribbean Utilities Co. Limited					
Staff Charges	$ 888	$ -	$ 888	$ -	$ -
Staff Charges - Insurance	162	108	270	463	1,167
Miscellaneous	-	-	101	81	81
Total	$ 1,050	$ 108	$ 1,259	$ 544	$ 1,248
Fortis Turks and Caicos					
Staff Charges	$ 25,161	$ 42,887	$ 72,192	$ 49,344	$ 460,946
Staff Charges - Insurance	270	3,410	2,430	5,028	7,836
Miscellaneous	4,822	199	5,667	199	99,190
Total	$ 30,253	$ 46,496	$ 80,289	$ 54,571	$ 567,972

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Agreements With Associated Companies
For the Period Ended June 30, 2009

Company Name	Amount	Date Borrowed	Date Repaid	Interest Rate	Interest

No loans or agreements with related companies were entered into during the quarter ending June 30, 2009.

NEWFOUNDLAND POWER INC.

CUSTOMER PROPERTY DAMAGE CLAIMS REPORT

For the Quarter Ending June 30, 2009

Introduction

The Customer Property Damage Claims Report contains an overview of all damage claims activity summarized on a quarterly basis. The information contained in the report is broken down by cause as well as by the operating region where the claims originated.

The report is divided into four sections as follows:

1. The first section indicates the number of claims received during the quarter coupled with claims outstanding from the previous quarter.

2. The second section shows the number of claims for which the Company has accepted responsibility and the amount paid to claimants versus the amount originally claimed.

3. The third section shows the number of claims rejected and the dollar value associated with those claims.

4. The fourth section indicates those claims that remain outstanding at the end of the current quarter and the dollar value associated with such claims.

Overview - Second Quarter

The total number of damage claims received during the second quarter of 2009 is not materially different from the number received during the same period in 2008. There were some slight increases in the Equipment Failure and Miscellaneous categories and a reduction in claims associated with Improper Workmanship.

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Cause

For the Quarter Ending June 30, 2009

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	-	3	3	2	$ 195	$ 195	-	$ -	1	$ 1,000
Power Interruptions	-	-	-	-	-	-	-	-	-	-
Improper Workmanship	1	5	6	5	3,978	1,878	-	-	1	5,000
Weather Related	-	-	-	-	-	-	-	-	-	-
Equipment Failure	25	7	32	22	38,894	22,711	1	3,394	9	32,615
Third Party	-	-	-	-	-	-	-	-	-	-
Miscellaneous	22	6	28	21	25,348	17,485	2	3,713	5	46,697
Total	**48**	**21**	**69**	**50**	**$ 68,415**	**$ 42,269**	**3**	**$ 7,107**	**16**	**$ 85,312**

For the Quarter Ending June 30, 2008

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	1	3	4	3	$ 1,070	$ 756	-	$ -	1	$ 100
Power Interruptions	1	-	1	1	50	50	-	-	-	-
Improper Workmanship	8	2	10	6	4,655	3,560	-	-	4	21,796
Weather Related	-	-	-	-	-	-	-	-	-	-
Equipment Failure	17	15	32	25	24,004	16,147	-	-	7	12,650
Third Party	1	-	1	-	-	-	-	-	1	400
Miscellaneous	14	2	16	14	23,905	23,132	-	-	2	1,200
Total	**42**	**22**	**64**	**49**	**$ 53,684**	**$ 43,645**	**-**	**$ -**	**15**	**$ 36,146**

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Region

For the Quarter Ending June 30, 2009

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	29	19	48	32	$ 46,931	$ 28,067	2	$ 4,494	14	$ 81,912
Western Region	19	2	21	18	21,484	14,202	1	2,613	2	3,400
Total	**48**	**21**	**69**	**50**	**$ 68,415**	**$ 42,269**	**3**	**$ 7,107**	**16**	**$ 85,312**

For the Quarter Ending June 30, 2008

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	24	19	43	28	$ 36,643	$ 26,604	-	$ -	15	$ 36,146
Western Region	18	3	21	21	17,041	17,041	-	-	-	-
Total	**42**	**22**	**64**	**49**	**$ 53,684**	**$ 43,645**	**-**	**$ -**	**15**	**$ 36,146**

Definitions of Causes of Damage Claims

1. **System Operations:** Claims arising from system operations. Examples include normal reclosing or switching.

2. **Power Interruptions:** Claims arising from interruption of power supply. Examples include all scheduled or unscheduled interruptions.

3. **Improper Workmanship:** Claims arising from failure of electrical equipment caused by improper workmanship or methods. Examples include improper crimping of connections, insufficient sealing and taping of connections, improper maintenance, inadequate clearance, or improper operation of equipment.

4. **Weather Related:** Claims arising from weather conditions. Examples include wind, rain, ice, lightning, or corrosion caused by weather.

5. **Equipment Failure:** Claims arising from failure of electrical equipment not caused by improper workmanship. Examples include broken neutrals, broken tie wires, transformer failure, insulator failure or broken service wire.

6. **Third Party:** Claims arising from equipment failure caused by acts of third parties. Examples include motor vehicle accidents and vandalism.

7. **Miscellaneous:** All claims not related to electrical service.

NEWFOUNDLAND POWER INC.

CONTRIBUTION IN AID OF CONSTRUCTION
QUARTERLY ACTIVITY REPORT

For the Period Ended June 30, 2009

The table below summarizes Contribution In Aid of Construction (CIAC) activity for the second quarter of 2009. The table is divided into three sections. The first section identifies the type of service for which a CIAC has been calculated. Services are categorized as Domestic (located within a Residential Planning Area), Domestic (located outside a Residential Planning Area) or General Service.

The second section indicates the number of CIACs quoted during the quarter as well as the number of CIAC quotes that remained outstanding at the end of the previous quarter. This format facilitates a reconciliation of the total number of CIACs that were active during the quarter.

The third section provides information as to the disposition of the total CIACs quoted. A CIAC is considered Accepted when a customer indicates they wish to proceed with construction of the extension and has agreed to pay any charge that may be applicable. A CIAC is considered Outdated after six months has elapsed and the customer has not indicated their intention to proceed with the extension. A quoted CIAC is Outstanding if it is neither Accepted nor Outdated.

Type of Service	CIACs Quoted	CIACs Outstanding Previous Qtr.	Total CIACs Quoted	CIACs Accepted	CIACs Outdated	Total CIACs Outstanding
Domestic						
- Within Planning Area	28	12	40	19	5	16
- Outside Planning Area	65	20	85	41	7	37
	93	32	125	60	12	53
General Service	12	4	16	7	0	9
Total	105	36	141	67	12	62

The tables on Page 2 to 6 of the report provide specific information for the 105 CIACs quoted to customers during the period April 1, 2009 to June 30, 2009. Both the CIAC amounts quoted and the Estimated Construction Costs exclude HST.

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Second Quarter 2009

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (within Residential Planning Area)						
02-Apr-09	Bennett, Glenn	Cottlesville	2009-40-105	3,144.00	5,269.00	Yes
10-Jun-09	Bradbury, Deborah	Carbonear	2009-20-146	2,875.00	5,000.00	
05-Jun-09	Buckingham, John	Meadows	2009-50-111	1,850.00	3,975.00	Yes
20-May-09	Butt, Ron	Blaketown	2009-20-137	11,550.00	11,550.00	Yes
03-Apr-09	Butt, Ron	Blaketown	2009-20-110	16,050.00	16,050.00	
24-Jun-09	Chippett, Hebert	Campbellton	2009-40-121	619.00	2,744.00	
05-May-09	Cole, Philip	Victoria	2009-20-117	6,675.00	9,175.00	
08-Jun-09	Forsey, Paul	Reidville	2009-50-112	8,350.00	10,475.00	
03-Apr-09	Gabriel, Deanna	Bay Bulls	2009-10-114	350.00	2,475.00	Yes
11-May-09	Guy, Gerald	Gull Island	2009-20-131	4,675.00	6,800.00	Yes
28-May-09	Hefferan, Derrick	Bellevue Beach	2009-20-138	350.00	2,475.00	Yes
28-May-09	Hefferan, William	Bellevue Beach	2009-20-139	350.00	2,475.00	Yes
08-Jun-09	Hunter, Rex	Salvage	2009-41-108	4,575.00	6,700.00	
30-Jun-09	Hynes, Alban	Point Au Maul	2009-51-116	675.00	3,300.00	
06-May-09	Hynes, Eric	Ferryland	2009-10-131	4,000.00	6,500.00	Yes
30-Jun-09	Jesso, Toby John	Ship Cove	2009-51-108	2,700.00	5,075.00	
15-May-09	Jones, Raymond	Blaketown	2009-20-136	3,475.00	6,100.00	
30-Jun-09	Legge, Neville	Whiteway	2009-20-157	850.00	2,975.00	
09-Jun-09	Maloney, Eric	Bay Bulls	2009-10-138	2,925.00	5,050.00	Yes
02-Jun-09	McKay, Perry	Reidville	2009-50-109	397.80	2,897.80	Yes
09-Apr-09	Morris, David	St. Georges	2009-51-106	1,575.00	3,950.00	Yes
03-Apr-09	Olivero, Tina	Blaketown	2009-20-112	7,400.00	7,400.00	Yes
03-Apr-09	Power, Christopher	Branch	2009-20-113	11,750.00	11,750.00	
16-Jun-09	Power, George	Chapel Arm	2009-20-149	2,205.25	4,830.25	
16-Jun-09	Spurrell, Harry	Chapel Arm	2009-20-148	336.00	2,711.00	

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Second Quarter 2009

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (within Residential Planning Area)						
29-May-09	Strowbridge, Christopher	Grand Bank	2009-31-105	375.00	2,500.00	Yes
07-May-09	Thorne, Cliff	Cupids	2009-20-122	575.00	2,700.00	Yes
08-Jun-09	Turner, Gloria	Cox's Cove	2009-50-113	950.00	3,075.00	Yes
DOMESTIC (outside Residential Planning Area)						
05-May-09	Adams, Don	Salmonier Line	2009-20-120	175.00	1,100.00	Yes
08-May-09	Bailey, Gordon	Sandy Point Cottage Area	2009-40-109	2,641.89	3,266.89	Yes
16-Jun-09	Barbour, Peter	Sou'west Pond	2009-41-111	4,850.00	5,475.00	Yes
15-May-09	Barrett, Colin	Placentia Junction Cottage Area	2009-20-134	2,877.34	3,502.34	Yes
03-Apr-09	Barrett, Ray	New Harbour	2009-20-107	6,530.00	7,155.00	Yes
12-May-09	Bath, Alex	Mobile First Pond Cottage Area	2009-10-135	2,149.14	2,774.14	
03-Jun-09	Boisvert, Jennifer	Sandy Point Cottage Area	2009-40-116	2,641.89	3,266.89	Yes
01-Jun-09	Boone, Dave	Makinsons	2009-20-143	1,825.00	2,450.00	
08-May-09	Boylan, Kenneth	Sandy Point Cottage Area	2009-40-111	2,641.89	3,266.89	Yes
30-Jun-09	Bradbury, Gertrude	Pinchgut Lake Cottage Area (Phase 2)	2008-50-152	42,117.50	54,617.50	
27-May-09	Butler, David	Port Blandford Cottage Area	2009-30-102	2,153.74	2,778.74	Yes
05-Jun-09	Clarke, Roger	Southern Lake (near Leading Tickles)	2009-40-117	2,750.00	3,375.00	Yes
01-Jun-09	Coffin, Hazen	Mansfield Pond Cottage Area	2009-20-141	3,106.34	3,731.34	
30-Jun-09	Coffin, Jody	Mansfield Pond Cottage Area	2009-20-160	3,106.34	3,731.34	
20-Apr-09	Collins, Derm	The Landing Cottage Area (Buchans)	2009-40-102	94,513.50	129,763.50	
25-Jun-09	Cooke, Alex	Exploit's River Cottage Area	2009-40-122	47,113.67	47,113.67	
30-Jun-09	Costard, Jerome	Little Port Harmon	2009-51-115	4,835.00	5,460.00	Yes
15-May-09	Critch, Richard	Mahers Cottage Area	2009-20-132	2,102.30	2,727.30	
02-Jun-09	Currie, Angela	Beachy Cove Road Cottage Area	2009-10-142	3,372.00	3,997.00	Yes
19-Jun-09	Deer, Rosemary	Mahers Cottage Area	2009-20-153	2,102.30	2,727.30	Yes

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Second Quarter 2009

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (outside Residential Planning Area)						
05-May-09	Faulkner, Roxanne	Clarke's Pond Cottage Area	2009-30-101	1,000.00	1,625.00	Yes
06-Apr-09	Fitzgerald, Keith	Mobile First Pond Cottage Area (Phase 2)	2009-10-117	49,112.50	61,987.50	
06-May-09	Foley, Roger	Witless Bay Line Cottage Area 1	2009-10-134	1,879.34	2,504.34	Yes
15-May-09	Francis, Ronald	Nine Island Pond North Cottage Area	2009-20-133	3,061.48	3,686.48	
25-Jun-09	Freake, Graham	Monroe's Pond Cottage Area	2009-40-123	3,318.18	3,943.18	
05-May-09	Garland, Derek	Little Flings Pond Cottage Area	2009-20-118	1,335.40	1,960.40	Yes
08-Jun-09	Gilliam, Terry	Pitt's Pond South Cottage Area	2009-41-110	85,755.00	93,880.00	
11-May-09	Goulding, Aubrey	Ryan's/Whelan's Pond Cottage Area	2009-20-130	2,813.68	3,438.68	Yes
17-Jun-09	Graham, James	Mansfield Pond Cottage Area	2009-20-151	3,106.34	3,731.34	
17-Jun-09	Handrigan, Frank	Mansfield Pond Cottage Area	2009-20-150	3,106.34	3,731.34	
25-May-09	Hann, Angela	Bonne Bay Big Pond Cottage Area	2009-50-108	225.00	850.00	Yes
17-Jun-09	Hayter, Hubert	Winter Tickle Cottage Area	2009-40-120	1,939.30	2,564.30	
01-Jun-09	Keough, Len	Makinsons	2009-20-144	1,700.00	2,325.00	Yes
22-May-09	King, Donna	Horse Chops Road (Cape Broyle)	2009-10-139	900.00	1,525.00	Yes
05-May-09	Leslie, Calvin	Howley CottageArea	2009-50-106	2,961.54	3,586.54	Yes
05-May-09	Loveless, Lindsay	Ryan's/Whelan's Pond Cottage Area	2009-20-124	2,813.68	3,438.68	Yes
17-Jun-09	Martin, Harry	Witless Bay Line Cottage Area 3	2009-10-103	165,020.75	199,895.75	
11-May-09	Matthews, Neil	Nine Island Pond Cottage Area	2009-20-129	2,807.82	3,432.82	
28-May-09	McCarthy, Martin	Beachy Cove Road Cottage Area	2009-10-132	3,372.00	3,992.00	Yes
09-Apr-09	Mcneil, Geraldine	Wreckhouse/McDougals Cottage Area	2009-51-104	1,135.89	1,760.89	Yes
02-Jun-09	Morris, Barbara	Cape Pond Road Cottage Area	2009-10-141	1,455.01	2,080.01	Yes
30-Jun-09	Murphy, Perry	Fairhaven Road	2009-20-159	1,575.00	2,200.00	
11-May-09	Murphy, William	Pond That Feeds The Brook Cottage Area	2009-20-127	5,101.43	5,726.43	Yes
09-Apr-09	Murray, Raymond	Nine Mile Road Cottage Area	2009-20-115	3,475.74	4,100.74	
03-Jun-09	Noel, George	Badger Lake Cottage Area	2009-40-115	1,952.72	2,577.72	

NEWFOUNDLAND POWER INC.
CIAC QUARTERY ACTIVITY REPORT INC.
Second Quarter 2009

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (outside Residential Planning Area)						
06-May-09	Noftall, Thomas	Hell Hill Pond Cottage Area	2009-10-121	41,576.75	51,826.75	
08-Apr-09	Power, William	1st & 2nd Pond Cottage Area (Butlerville)	2009-20-108	376,175.00	452,800.00	
15-May-09	Pynn, Don	Gambo Pond Cottage Area	2009-41-106	182,325.00	221,075.00	
22-Apr-09	Richards, Wayne	Wreckhouse/McDougals Cottage Area	2009-51-105	1,135.89	1,760.89	Yes
30-Apr-09	Rogers, Darryl	Lawn Cottage Area	2009-31-103	24,525.00	34,775.00	Yes
30-Jun-09	Rowe, Robert	Dribble Road Cottage Area	2009-51-110	1,421.01	2,046.01	
07-Apr-09	Ryan, Anthony	Mobile First Pond Cottage Area	2009-10-108	2,149.14	2,774.14	Yes
05-May-09	Ryan, Derrick	Mansfield Pond Cottage Area	2009-20-123	3,106.34	3,731.34	Yes
05-May-09	Scott, Cyril	Mansfield Pond Cottage Area	2009-20-119	3,106.34	3,731.34	Yes
01-Jun-09	Smith, Gary	Gould's Pond Cottage Area	2009-20-142	3,660.36	4,285.36	Yes
08-Jun-09	Snelgrove, Roger	Ocean Pond	2009-20-145	1,550.00	2,475.00	
11-May-09	Sooley, Cecil	Placentia Junction Cottage Area	2009-20-128	2,877.34	3,502.34	Yes
05-May-09	Stearns, Terrie	Mahers Cottage Area	2009-20-121	2,102.30	2,727.30	Yes
30-Jun-09	Strickland, Paul	Wreckhouse/McDougals Cottage Area	2009-51-112	1,135.89	1,760.89	
17-Jun-09	Stuckless, Donald	Sandy Point Cottage Area	2009-40-119	2,641.89	3,266.89	Yes
19-Jun-09	Upshall, Glen	Mahers Cottage Area	2009-20-152	2,102.30	2,727.30	
30-Jun-09	Warren, Pam	Wreckhouse/McDougals Cottage Area	2009-51-111	1,135.89	1,760.89	
15-May-09	Webber, Shawn	Placentia Junction Cottage Area 2	2009-20-126	22,425.00	29,550.00	
05-May-09	Whalen, Joseph	Gould's Pond	2009-20-125	7,725.00	8,350.00	Yes
19-Jun-09	Whalen, Philip	Gould's Big Pond Cottage Area	2009-20-155	4,331.37	4,956.45	Yes

NEWFOUNDLAND POWER INC.
CIAC QUARTERY ACTIVITY REPORT INC.
Second Quarter 2009

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
GENERAL SERVICE						
03-Jun-09	BAE Newplan	Chapel Island (waste management facility)	2009-40-106	13,555.00	20,080.00	
11-May-09	Canadian Tire Ltd.	Kenmount Road, St John's (gas bar)	2009-10-130	3,055.20	4,500.00	Yes
09-Jun-09	Cupid's Library	Cupids (library building)	2009-20-116	19,151.05	27,357.25	
09-Jun-09	Department of Tourism	Whitbourne (visitor's information centre)	2009-20-140	11,492.10	13,339.20	
22-Apr-09	Efco Enterprises Inc.	Stephenville (boat lift facility)	2009-51-107	3,625.00	10,479.00	
29-May-09	Exmount Manor Ltd.	Catamaran Park, TCH (recreation park)	2009-40-114	4,525.00	6,650.00	Yes
02-Apr-09	Fun In the Sun Ltd.	Gander Bay (recreation park)	2009-41-103	6,865.00	10,750.00	Yes
06-May-09	Hunts Cove Park	Port Albert (recreation park)	2009-40-110	9,300.00	11,925.00	
03-Apr-09	LeFarge Canada Inc.	Corner Brook (recycling facility)	2009-50-104	1,893.00	10,738.00	Yes
05-May-09	Nor'west Sod Ltd.	Winterland (sod farm)	2009-31-104	8,400.00	11,775.00	Yes
29-May-09	Old Mill Road RV Park Ltd.	Avondale (recreation park)	2009-20-135	40,375.00	42,500.00	
08-Apr-09	Town of Placentia	Argentia (sewer lift station)	2009-20-114	2,500.00	8,925.00	Yes

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
P.O. Box 8910
St. John's, NL A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

November 13, 2009

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

Enclosed are eleven copies of Newfoundland Power Inc.'s Quarterly Regulatory Report for the quarter ending September 30, 2009.

The report is divided into five sections: Quarterly Summary; Capital Expenditure Progress; Inter-Company Transactions; Customer Property Damage Claims; and Contribution In Aid of Construction Activity.

In Order No. P.U. 32 (2007), the Board ordered Newfoundland Power to provide, as part of its quarterly reporting, updates on (1) the progress of its retail customer rate review, and (2) the status of the Accounting Standards Board's consideration of the transition to International Financial Reporting Standards. Updates on these matters are provided under the headings *Customer Service* and *Financial Matters*, respectively, in the Quarterly Summary in Section 1 of the report.

If you have any questions on the enclosed, please contact the undersigned at the direct number noted below.

Yours very truly,

for Gerard Hayes
Senior Counsel

Enclosures

c. Geoffrey P. Young
Newfoundland & Labrador Hydro

Quarterly Regulatory Report

For The Period Ended

September 30, 2009

QUARTERLY REGULATORY REPORT

FOR THE PERIOD ENDED

September 30, 2009

INDEX	TAB
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Capital Expenditure Progress	2
Inter-Company Transactions	3
Customer Property Damage Claims	4
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1. Highlights

Highlights	3rd Quarter			Annual
	Actual 2009	Plan 2009	Actual 2008	Plan 2009
Customer Satisfaction (%)	89	89	89	89
Electricity Delivery [1]				
Electricity Sales (GWh)	885.0	906.6	896.8	5,244.5
Peak Demand (MW) [2]	1,237.1	1,234.5	1,188.0	1,234.5
Customer Minutes of Outage [3]	4.5	8.5	11.3	37.6
Employee Injuries [4]	2	3	4	12
Revenue ($millions)	92.9	95.3	94.1	520.1
Earnings ($millions) [5]	7.1	8.2	8.1	32.8

- Customer satisfaction on plan at 89%.
- 3rd quarter electricity sales lower than plan and 2008.
- 3rd quarter reliability and safety performance better than plan and 2008.
- 3rd quarter earnings below plan and 2008.
- Fall marketing campaign for energy conservation programs launched.
- Revised 2010 General Rate Application filed in September.

1 Weather adjusted.
2 Peak demand for the 2008/2009 winter period occurred on January 27th, 2009 at 8:45 a.m.
3 In millions of minutes, excluding Hydro related interruptions.
4 Total lost time and medical aid incidents.
5 Earnings applicable to common shares.

2. Customer Service

Customer Service Performance (%)	Year to Date			Annual
	Actual 2009	Plan 2009	Actual 2008	Plan 2009
Customer Satisfaction	90	89	89	89
First Call Resolution [1]	89	88	88	88
Service Level [2]	78	80	80	80
Trouble Call Response [3]	92	85	90	85

[1] Percent of customer calls resolved on first contact.
[2] Percent of customer calls answered within 40 seconds.
[3] Percent of trouble call response within two hours.

Customer Service Performance

Overall customer service performance for the quarter was good. Customer satisfaction, first call resolution and trouble call response continue to be higher than both plan and the same period last year. Service level performance is slightly below plan due to higher than normal employee illness and employee turnover.

Energy Conservation

In September, Newfoundland Power hosted in-store launch events with its trade allies for the fall energy efficiency campaign focused on promoting the Energy Savers Program. The events were supported with radio and newspaper advertising as well as in-store flyers. In addition the Company continued to visit and train its trade allies' staff on energy efficiency tools and programs.

Dave Lewis and Dianne Drover, Customer Service Coordinators, at the takeCHARGE Retail launch event in Corner Brook.

The fall energy efficiency advertising campaign also began in September. The campaign includes three television ads, newspaper, online and radio promotions, new point-of-purchase material for our retailers and new how-to videos for the website. The takeCHARGE website is currently being updated to include more interactive features and easier access to the rebate program materials.

Activity on the takeCHARGE website is up 100 percent since the June launch of the Energy Saver programs and up a further 16 percent since the launch events in September. There are currently 1,500 website visits per day, with the majority of the activity going to the Programs and Rebates pages.

During the 3rd quarter, an emphasis was placed on employee energy efficiency education. A Newfoundland Power Energy Conservation Engineer completed training to obtain a Certified Energy Manager designation. A St. John's building contractor provided two days of *House as a System* training for Energy Conservation team members. In addition, a number of these employees attended a *Spot the Energy Savings* workshop hosted by Natural Resources Canada's Office of Energy Efficiency.

An Ad copy for the Energy Savers Rebate programs.

Customer Service Improvements

To improve service to seniors, a new Fixed Discount Day option was added for customers on fixed monthly incomes. This option extends the normal discount period for electricity bill payment to coincide with the date these customers receive their monthly income cheques.

Retail Rate Review

In accordance with the 2008 General Rate Application Settlement Agreement, Newfoundland Power is conducting an evaluation of its existing rate designs and a review of alternative rate designs to determine their appropriateness for billing customers (the "Retail Rate Review"). The final Rate Design Report was submitted to the Public Utilities Board ("PUB") on January 28, 2009. A Customer Feedback Report was filed with the PUB on June 19, 2009.

Before any rate design changes are finalized, the Rate Design Report is to be assessed at a Technical Conference involving all interested stakeholders, as recommended in the Settlement Agreement.

It was originally expected that rate design alternatives would be assessed in a Technical Conference during 2009. A settlement agreement associated with the Company's 2010 General Rate Application provides for adjustments to the original schedule for the Rate Design Review to reflect delays arising from the 2010 General Rate Application. As a result, the Technical Conference is now likely to occur in 2010.

3. System Performance

A. Reliability

System Reliability [1]	Year to Date			Annual
	Actual 2009	Actual 2008		Plan 2009
Customer Minutes of Outage [2]	22.7	26.5		37.6
SAIDI (Outage hours per customer)	1.65	1.83		2.74
SAIFI (Outages per customer)	1.45	1.56		2.37

[1] Excludes Hydro-related interruptions.
[2] In millions of minutes.

The frequency and duration of outages during the 3rd quarter were lower than that experienced during the 3rd quarter of 2008. Customers experienced 6.8 million fewer outage minutes this quarter compared to the same quarter of 2008.

Both SAIDI and SAIFI are lower year to date than in any of the last five years. Since 2005, SAIDI has dropped from 2.41 to 1.65; a 32 percent improvement. SAIFI has dropped from 1.95 to 1.45, a 26 percent improvement during the same time period.

The significant unplanned power interruptions during the 3rd quarter were:

1. *August 20:* Lightning caused an outage to 9,279 customers on the Burin Peninsula resulting in 385,950 customer outage minutes.

2. *August 27:* A jumper burned off a substation switch resulting in an outage to 2,442 customers on the Port au Port Peninsula for a total of 442,002 customer outage minutes.

3. *August 27*: While the main transmission line to the Port aux Basques area was down for scheduled maintenance by Newfoundland & Labrador Hydro, a trip at the Port Aux Basques generation plant, which was supplying power to the area resulted in an outage to 3,355 customers and 168,494 customer outage minutes.

The mobile generation unit was installed at Robinsons substation to facilitate the movement of a transmission line without the need for significant customer outages.

B. Electricity Supply

Electricity Supply	3rd Quarter			Annual
	Actual 2009	Plan 2009	Actual 2008	Plan 2009
Energy Purchased (GWh)	871.8[1]	902.0	845.0[1]	5,130.6
Peak Demand (MW) [2, 3]	1,237.1	1,234.5	1,188.0	1,234.5
Hydro Plant Production (GWh)	61.0	50.0	68.9	425.9
Plant Availability (%)	97.8	95.5	92.6	95.5

[1] Not weather adjusted.

[2] Weather adjusted.

[3] Peak demand for the 2008/2009 winter period occurred on January 27th, 2009 at 8:45 a.m.

Energy purchased during the 3rd quarter was 30.2 GWh lower than plan due to reduced electricity sales and higher than expected hydro plant production.

During the 3rd quarter, hydro plant production was 11 GWh higher than plan. This higher production was reflective of the higher than normal inflows in the quarter. Compared to a normal inflow of 59.2 GWh, total inflows for the 3rd quarter were 67.3 GWh.

Hydro plant availability was 97.8 percent in the 3rd quarter compared to a plan of 95.5 percent. There were 39 forced outages in the 3rd quarter, lower than the 69 experienced in the 3rd quarter of 2008. Year to date there have been 116 forced outages compared to 197 during the same period of 2008.

4. Financial Matters

Financial Highlights	3rd Quarter			Annual
	Actual 2009	Plan 2009	Actual 2008	Plan 2009
Revenue ($millions)	92.9	95.3	94.1	520.1
Purchased Power Costs ($millions)	49.8	51.6	50.5	340.6
Operating Costs ($millions) [1]	11.2	11.0	10.3	49.1
Operating Cost per Customer ($)	159	160	155	215
Earnings ($millions) [2]	7.1	8.2	8.1	32.8

[1] Excluding pension and early retirement program costs.
[2] Earnings applicable to common shares.

Financial Results

Revenue for the 3rd quarter of 2009 was $2.4 million less than plan primarily due to decreased electricity sales. Third quarter electricity sales were down 1.3 percent compared to the 3rd quarter of 2008. This decrease is comprised of a 2.9 percent decrease in average usage offset by a 1.6 percent increase due to customer growth.

Purchased power costs for the 3rd quarter of 2009 were $1.8 million less than plan due to lower than anticipated electricity sales.

Operating costs for the 3rd quarter were comparable to plan.

Earnings for the 3rd quarter were lower than plan by $1.1 million. This primarily reflects lower electricity sales and higher pension and finance costs partially offset by a lower effective tax rate.

General Rate Application

On September 28th, the Company filed a revised 2010 General Rate Application with the PUB proposing an overall average increase to electricity rates of 7.2 percent effective January 1st, 2010. The public hearing on this application began on October 14th and concluded on November 10th.

International Financial Reporting Standards ("IFRS")

The International Accounting Standards Board ("IASB") continued with its ongoing special project on rate-regulated activities during the 3rd quarter. On July 23, 2009, the IASB issued an Exposure Draft on Rate-Regulated Activities. Comments on the Exposure Draft are to be submitted for consideration to the IASB by November 20, 2009. Based on the current project timeline, a final standard is expected to be issued in the 2nd quarter of 2010.

Based on the Exposure Draft, regulatory assets and liabilities arising from activities subject to cost-of-service regulation can be recognized under IFRS when certain conditions are met. The ability to record regulatory assets and liabilities, as proposed, should reduce the earnings' volatility of the Company that may have otherwise resulted under IFRS. However, uncertainty will exist until the final standard on accounting for rate-regulated activities under IFRS is issued.

5. Capital Program

2009 Capital Expenditures	Year to Date		Annual
	Actual	Plan	Plan [1]
Total ($000s)	49,047	44,148	64,671

[1] Plan includes $32,000 carryover for Fermeuse wind turbine project and $1,568,000 for Water Street underground civil work. Plan also includes the supplemental capital expenditure approvals associated with the rebuild of a power transformer at Kenmount Substation, feeder improvements to accommodate the Vale Inco project in Long Harbour and repairs to the Seal Cove Plant. Annual plan excludes the $750,000 allowance for unforeseen items.

2009 Capital Expenditure

Year-to-date capital expenditures are higher than plan due primarily to increased residential connections.

Capital projects progressed during the 3rd quarter as follows:

- The rebuilds of transmission lines 110L and 111L on the Bonavista Peninsula are complete.
- The Rocky Pond penstock installation is complete. Rocky Pond Plant will be returned to service when the plant and substation electrical work are completed in the 4th quarter.
- The Rose Blanche spillway has been raised to increase energy production.
- Refurbishment and modernization of the King's Bridge Substation in St. John's is nearing completion.

On July 27th, 2009, the PUB approved an addition of $710,000 to the Company's 2009 Allowance for Unforeseen Items associated with the rebuild of a damaged power transformer at the Kenmount Substation.

On September 4th, 2009, a supplemental capital budget application was approved by the PUB to construct a distribution feeder to service the Vale Inco construction site outside the community of Long Harbour at a cost of approximately $1,165,000. The customer is contributing $721,000 towards this work.

On October 9th, 2009, the PUB approved an addition of $375,000 to the Company's 2009 Allowance for Unforeseen Items associated with repairs to the Seal Cove Plant.

2010 Capital Budget Application

On November 4th, 2009 the PUB approved Newfoundland Power's 2010 Capital Budget Application in the amount of $64.7 million.

6. Safety

Safety Performance	Year to Date		Annual
	Actual 2009	Actual 2008	Plan 2009
Injury Frequency Rate [1]	0.9	2.4	2.2 [2]

[1] Injuries per 200,000 hours worked.
[2] Based on a 10% improvement over the three-year average from 2006 to 2008.

Safety Performance

During the 3rd quarter, there was one medical aid injury. There were no lost time injuries. Year to date, there have been two lost time and two medical aid injuries totaling 53 days of lost work. This is a significant improvement compared to the same period in 2008 during which five medical aid and five lost time injuries totaling 371 days of lost time were recorded.

The number of vehicle accidents are down slightly compared to 2008. There was one preventable vehicle accident during the quarter bringing the total year to date to thirteen. Fifteen preventable vehicle accidents were recorded during the first three quarters of 2008.

Two Company departments achieved safety milestones during the 3rd quarter. On August 15th, employees in the Generation Department had worked three years without a lost-time injury. On August 27th, the employees of Grand Falls-Windsor achieved eight consecutive years without a lost-time injury.

Safety Management

During July, the Provincial Occupational Health and Safety Division conducted inspections with a pole installation contractor working in Garnish and several Newfoundland Power line crews working in Grand Bank. There were no orders issued as a result of these inspections.

OH&S Regulations were released in August, to be effective on September 1st, 2009. A review of the new regulations indicates that no significant impacts on the Company's day-to-day operations are anticipated.

Crews discuss the safety aspects of overhead work at King's Bridge substation.

On July 2nd, the Company implemented a new system for reporting safety and environment performance and improvement opportunities. The system, known as "PREVENT" streamlines the reporting of safety and environmental incidents, resulting in timelier reporting and corrective actions.

During the 3rd quarter, the Company participated in several joint safety initiatives with Newfoundland & Labrador Hydro, including developing uniform procedures for conducting work while in the proximity of energized electrical equipment and sharing information on the Company's OHSAS 18001, Safety Management System and H1N1 Pandemic Plans.

During the 3rd quarter, three new training programs were initiated. These include a video on the safe installation and removal of electric meters; a preparatory course for participants of the Company's two-day Worker Protection Training course; and, a new computer based safety orientation program that can substitute for in-class training when necessary.

During the quarter, the Company implemented its H1N1 pandemic plan, which included monitoring developments and information from health agencies and other utilities, providing information to employees and improving the capabilities of critical employees to work from home.

Public Safety

Contractor Safety continues to be an area of focus for the Company. To assess the safety record of bidding contractors during the tendering process, the Company now requires detailed information on contractor compliance training, safety statistics, certifications and safety meetings. This process will be used for all work considered at high risk for worker injury.

There was a significant increase in public contacts during the 3rd quarter. Fifteen incidents involving contact with distribution or transmission lines were reported, bringing the year to date total to 20. This compares to a total of 20 incidents for all of 2007 and 2008 combined. None of these incidents resulted in injuries to the public. The majority of these incidents involved construction equipment contacting power lines or contacting guy wires. A number of these incidents caused damage to electrical structures.

The Company increased its safety advertising in provincial newspapers. In September, a campaign targeting General Contractors was launched. Newfoundland Power worked jointly with Newfoundland & Labrador Hydro to partner with Municipalities Newfoundland & Labrador, the Newfoundland & Labrador Construction Safety Association and the *Newfoundland & Labrador Construction Magazine* to bring safety messaging to those audiences. A joint media release on contractor electrical contacts was also issued. This resulted in wide television and radio coverage.

7. Environment

Environment Performance	Year to Date			Annual
	Actual 2009	Actual 2008		Plan 2009
Number of Spills	60	49		62
Reportable PCB spills [1]	1	1		2
Volume of Oil Spills (Litres)	1,145	715		961

[1] PCB spills must be reported if any of the following conditions exist:
- All PCB spills that have a concentration of 50 ppm PCBs or more.
- All PCB spills that exceed one gram of PCBs.
- All oil spills of equipment in storage / inventory (not in use) that exceed a concentration of 2 ppm PCBs regardless of quantity.

Both the number and volume of spills in the 3rd quarter of 2009 were higher than those recorded during the same period in 2008. Forty-five percent of the total volume released year to date is attributable to a mineral oil spill of 519 litres near Holy Trinity School in Torbay that occurred in the 1st quarter.

Environmental Management

During the 3rd quarter, environmental training was provided to 148 employees and 266 contractor employees, bringing the total year to date to 474 and 405 participants, respectively.

8. Community

The Power of Life Project

Clarenville area employees held the 5th Annual Clarenville Golf Tournament on Saturday, September 12th in support of *The Power of Life Project*. The event was well attended by almost 80 golfers who raised over $10,000.

Camp Delight

Newfoundland Power, through *The Power of Life Project*, donated $3,000 to Camp Delight. Camp Delight is an eight day camp that hosts approximately 50 young people, ages 7 to 17 years, who have been affected by cancer. Carbonear area employees have supported Camp Delight for the past 14 years through the donation of backpacks that are filled with goodies and enjoyed by the children.

FINANCIAL STATEMENTS

NEWFOUNDLAND POWER INC.
BALANCE SHEETS
As At September 30
($000s)

	2009	2008 [1]
Capital Assets		
Property plant and equipment	1,216,728	1,169,987
Less: accumulated depreciation	438,757	419,667
	777,971	750,320
Current Assets		
Cash	10,625	474
Accounts receivable	40,421	43,792
Income tax receivable	3,348	-
Materials and supplies	913	815
Prepaid expenses	1,904	1,472
Regulatory assets	10,821	8,476
	68,032	55,029
Accrued Pension and Other Regulatory Assets	97,211	92,530
	195,135	56,048
Intangible Assets, net of amortization	15,491	15,673
Customer Finance Plans	1,648	1,795
Total Assets	**1,155,488**	**971,395**
Shareholders' Equity		
Common shares	70,321	70,321
Retained earnings	308,521	299,324
Common shareholder's equity	378,842	369,645
Preference shares	9,111	9,352
	387,953	378,997
Current Liabilities		
Short-term borrowings	-	875
Accounts payable and accrued charges	43,658	40,415
Income tax payable	-	6,074
Current portion of long-term debt	5,200	4,550
Future income taxes	211	-
Regulatory liabilities	11,145	7,106
	60,214	59,020
Future Income Taxes	121,222	856
Long-term Debt	465,713	433,110
Other Liabilities	48,887	42,757
Regulatory Liabilities	71,499	56,655
Total Shareholders' Equity and Liabilities	**1,155,488**	**971,395**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS
For The Periods Ended September 30
($000s)

	THIRD QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2009	Plan 2009	Actual 2008	Actual 2009	Plan 2009	Actual 2008	Plan 2009	Actual 2008
Revenue	92,872	95,298	94,132	380,673	380,383	377,897	520,084	516,889
Purchased Power	49,833	51,632	50,513	246,376	246,204	242,413	340,582	336,658
Contribution	43,039	43,666	43,619	134,297	134,179	135,484	179,502	180,231
Operating Expenses	11,143	10,970	10,271	36,376	36,523	35,073	49,122	47,132
Pension and Early Retirement Program Costs	687	201	791	2,010	573	2,324	771	3,040
Amortization	10,565	10,523	10,026	30,934	30,815	30,399	41,639	40,649
Amortization True-Up Deferral	966	966	966	2,897	2,898	2,897	3,860	3,862
Finance Charges	9,020	8,583	8,333	25,768	25,704	25,399	34,230	33,507
Earnings Before Income Taxes	10,658	12,423	13,232	36,312	37,666	39,392	49,880	52,041
Income Taxes	3,452	4,101	4,939	11,892	12,442	14,555	16,466	19,146
Net Earnings	7,206	8,322	8,293	24,420	25,224	24,837	33,414	32,895
Dividends on Preference Shares	142	146	147	432	440	407	586	554
Earnings Applicable to Common Shares	**7,064**	**8,176**	**8,146**	**23,988**	**24,784**	**24,430**	**32,828**	**32,341**

NEWFOUNDLAND POWER INC.
STATEMENTS OF RETAINED EARNINGS
For The Periods Ended September 30
($000s)

	2009	2008
Balance, Beginning of the Period	303,417	286,350
Net Earnings	24,420	24,837
Dividends		
Preference Shares	(432)	(407)
Common Shares	(18,884)	(11,456)
Balance, End of the Period	**308,521**	**299,324**

NEWFOUNDLAND POWER INC.
STATEMENTS OF CASHFLOWS
For The Periods Ended September 30
($000s)

	2009	2008 [1]
Cash From (Used In) Operating Activities		
Net earnings	24,420	24,837
Items not affecting cash:		
Amortization of capital assets	28,765	28,074
Amortization of intangibles and other	2,366	2,548
Change in regulatory assets and liabilities	3,108	1,461
Future income taxes	960	856
Employee future benefits	(3,821)	(3,723)
Change in non-cash working capital	(10,293)	7,241
	45,505	61,294
Cash From (Used In) Investing Activities		
Capital expenditures (net of salvage)	(50,274)	(45,650)
Intangible asset expenditures	(1,515)	(1,534)
Contributions in aid of construction	3,248	2,309
Other	(23)	26
	(48,564)	(44,849)
Cash From (Used In) Financing Activities		
Change in short-term borrowings	-	875
Net repayment of committed credit facility	(32,000)	(6,000)
Proceeds from long-term debt	65,000	-
Proceeds from related party loan	-	32,500
Repayment of related party loan	-	(32,500)
Payment of debt financing costs	(378)	(50)
Redemption of preference shares	(241)	-
Dividends		
Preference shares	(432)	(407)
Common shares	(18,884)	(11,456)
	13,065	(17,038)
Increase (Decrease) in Cash	10,006	(593)
Cash, Beginning of the Period	619	1,067
Cash, End of the Period	**10,625**	**474**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

APPENDICES

NEWFOUNDLAND POWER INC.
ELECTRICITY STATISTICS
For The Periods Ended September 30

	THIRD QUARTER		YEAR TO DATE		ANNUAL
	2009	2008	2009	2008	2008
Sales (GWh)					
Actual	886.3	868.9	3,747.3	3,766.3	5,115.2
Weather adjusted	885.0	896.8	3,825.1	3,796.0	5,208.2
Plan[1]	906.6		3,824.5		
Produced & Purchased (GWh)					
Actual	932.8	914.6	3,969.9	3,990.5	5,415.6
Weather adjusted	931.5	944.0	4,052.2	4,021.8	5,513.8
Plan[1]	954.3		4,051.5		
Hydro Production (GWh)					
Actual	61.0	68.9	293.8	354.0	454.3

[1] Based on Customer, Energy and Demand Forecast dated April 4, 2008.

NEWFOUNDLAND POWER INC.
STATEMENTS OF ELECTRICITY SOLD (GWh)
For The Periods Ended September 30

WEATHER ADJUSTED

	THIRD QUARTER			YEAR TO DATE			ANNUAL	
BY SALES CATEGORY	**Actual 2009**	**Plan[1] 2009**	**Actual 2008**	**Actual 2009**	**Plan[1] 2009**	**Actual 2008**	**Plan[1] 2009**	**Actual 2008**
Residential	449.2	452.7	453.4	2,279.9	2,258.9	2,248.1	3,135.2	3,130.3
Commercial								
0-10 kW	17.4	17.8	17.3	65.7	65.9	65.9	88.7	88.8
10-100 kW	121.8	128.7	123.2	471.4	486.0	476.2	657.3	641.8
110-1000 kVA	182.0	189.2	183.4	653.7	667.2	653.2	902.2	878.5
1000 kVA and Over	106.6	110.2	111.5	329.3	321.4	327.5	424.6	432.3
Total Commercial	427.8	445.9	435.4	1,520.1	1,540.5	1,522.8	2,072.8	2,041.4
Street Lighting	8.0	8.0	8.0	25.1	25.1	25.1	36.5	36.5
Total Sales	**885.0**	**906.6**	**896.8**	**3,825.1**	**3,824.5**	**3,796.0**	**5,244.5**	**5,208.2**
BY REGION								
Eastern[2]	616.9	636.9	627.5	2,682.5	2,697.6	2,668.7	3,692.7	3,659.5
Western[3]	268.1	269.7	269.3	1,142.6	1,126.9	1,127.3	1,551.8	1,548.7
Total Sales	**885.0**	**906.6**	**896.8**	**3,825.1**	**3,824.5**	**3,796.0**	**5,244.5**	**5,208.2**

[1] Based on Customer, Energy and Demand Forecast dated April 4, 2008.

[2] Eastern Region includes the St. John's, Avalon, Burin and Clarenville operating areas

[3] Western Region includes the Gander, Grand Falls - Windsor, Corner Brook and Stephenville operating areas

NEWFOUNDLAND POWER INC.
STATEMENTS OF REVENUE
For The Periods Ended September 30
($000s)

WEATHER ADJUSTED

BY SALES CATEGORY	THIRD QUARTER Actual 2009	THIRD QUARTER Plan [1] 2009	THIRD QUARTER Actual 2008	YEAR TO DATE Actual 2009	YEAR TO DATE Plan [1] 2009	YEAR TO DATE Actual 2008	ANNUAL Plan [1] 2009	ANNUAL Actual 2008
Residential	47,466	47,720	47,561	221,405	219,580	218,600	303,405	302,916
Commercial								
0-10 kW	2,431	2,468	2,407	8,692	8,677	8,727	11,652	11,742
10-100 kW	12,294	12,850	12,294	46,311	47,623	46,662	64,699	63,129
110-1000 kVA	15,245	15,826	15,295	54,267	55,270	54,050	75,000	72,997
1000 kVA and Over	7,672	7,789	7,916	23,728	22,798	23,547	30,242	31,208
Total Commercial	37,642	38,933	37,912	132,998	134,368	132,986	181,593	179,076
Street Lighting	3,234	3,209	3,178	9,633	9,619	9,538	12,839	12,722
Forfeited Discounts	413	501	437	2,035	2,232	2,059	2,846	2,646
Revenue From Rates	**88,755**	**90,363**	**89,088**	**366,071**	**365,799**	**363,183**	**500,683**	**497,360**
Energy Supply Cost Variance [2]	(310)	359	17	807	762	(214)	1,004	(388)
2008 Tax Deferral [3]	-	-	-	-	-	(560)	-	(560)
Amortizations [4]								
2005 Unbilled Income Tax Settlement	-	-	648	-	-	1,944	-	2,592
2005 Unbilled Remaining Balance	1,155	1,155	1,155	3,465	3,465	3,464	4,618	4,618
Total Reported Revenue	**89,600**	**91,877**	**90,908**	**370,343**	**370,026**	**367,817**	**506,305**	**503,622**
Other Revenue	3,272	3,421	3,224	10,330	10,357	10,080	13,779	13,267
Total Operating Revenue	**92,872**	**95,298**	**94,132**	**380,673**	**380,383**	**377,897**	**520,084**	**516,889**

[1] Based on 2009 sales forecast dated April 4, 2008 and rates effective January 1, 2008 as approved by Orders No. P.U. 32(2007).
[2] Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).
[3] Disposition of balance in the Tax Deferral Account as approved in Order No. P.U. 10 (2008).
[4] Revenue amortizations as approved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
SUMMARY OF WEATHER ADJUSTMENTS
For The Periods Ended September 30
($000s)

REVENUE FROM ELECTRICITY SALES	THIRD QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2009	Plan [1] 2009	Actual 2008	Actual 2009	Plan [1] 2009	Actual 2008	Plan [1] 2009	Actual 2008
Actual	88,845	90,363	86,757	359,794	365,799	360,711	500,683	489,785
Degree Day & Wind Adjustment	(90)	-	2,331	6,277	-	2,472	-	7,575
Weather Adjusted	**88,755**	**90,363**	**89,088**	**366,071**	**365,799**	**363,183**	**500,683**	**497,360**
Energy Supply Cost Variance [2]	(310)	359	17	807	762	(214)	1,004	(388)
2008 Tax Deferral [3]	-	-	-	-	-	(560)	-	(560)
Amortizations [4]								
2005 Unbilled Income Tax Settlement	-	-	648	-	-	1,944	-	2,592
2005 Unbilled Remaining Balance	1,155	1,155	1,155	3,465	3,465	3,464	4,618	4,618
Total Reported Revenue	**89,600**	**91,877**	**90,908**	**370,343**	**370,026**	**367,817**	**506,305**	**503,622**
PURCHASED POWER EXPENSE								
Actual	48,483	51,131	45,628	238,858	244,701	233,741	338,572	321,557
Degree Day & Wind Adjustment	(117)	-	2,588	7,247		2,756	-	8,652
Hydro Equalization Adjustment	966	-	1,459	(1,232)		4,014	-	3,797
Purchased Power Weather Adjusted	**49,332**	**51,131**	**49,675**	**244,873**	**244,701**	**240,511**	**338,572**	**334,006**
Demand Management Incentive Account [5]	-	-	337	-	-	400	-	641
Amortizations [6]								
Rattling Brook Deferral	150	150	150	450	450	449	597	598
PPUCVR Balance at Dec 31, 2006	(174)	(174)	(171)	(522)	(522)	(515)	(688)	(688)
Weather Normalization Reserve	525	525	522	1,575	1,575	1,568	2,101	2,101
Weather Adjusted	**49,833**	**51,632**	**50,513**	**246,376**	**246,204**	**242,413**	**340,582**	**336,658**

[1] Based on 2009 sales forecast dated April 4, 2008 and rates effective January 1, 2008 as approved by Orders No. P.U. 32(2007).
[2] Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).
[3] Disposition of balance in the Tax Deferral Account as approved in Order No. P.U. 10 (2008).
[4] Revenue amortizations as approved in Order No. P.U. 32(2007).
[5] Demand Management Incentive Account as approved in Order No. P.U. 32(2007).
[6] Amortizations for 2009 as approved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS - DETAIL
For The Periods Ended September 30
($000s)

	THIRD QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2009	Plan 2009	Actual 2008	Actual 2009	Plan 2009	Actual 2008	Plan 2009	Actual 2008
Other Revenue								
Joint Use Revenue								
Aliant	1,805	1,788	1,745	5,414	5,364	5,236	7,152	6,981
CATV	500	484	471	1,501	1,449	1,409	1,945	1,880
Total Joint Use Revenue	2,305	2,272	2,216	6,915	6,813	6,645	9,097	8,861
Miscellaneous								
Customer Jobbing	124	170	79	397	420	342	568	434
Rental Income	7	5	6	17	15	20	20	26
Municipal Tax Liability [1]	342	341	341	1,026	1,022	1,022	1,362	1,362
Interest - Customer Accounts	165	293	241	675	1,048	962	1,358	1,155
Interest - RSA	(26)	4	25	36	48	78	56	116
Interest - CIAC	28	26	28	81	74	80	100	108
Interest - Other	29	36	33	93	113	102	150	135
Reconnections	35	22	34	63	55	69	73	84
NSF Cheque Charges	8	5	9	26	16	30	20	38
Wheeling Charges	131	139	135	426	464	471	613	615
Miscellaneous	44	25	(7)	388	74	60	100	65
Service Connection Fees	80	83	84	187	195	199	262	268
Total Miscellaneous	967	1,149	1,008	3,415	3,544	3,435	4,682	4,406
Total Other Revenue	**3,272**	**3,421**	**3,224**	**10,330**	**10,357**	**10,080**	**13,779**	**13,267**
Finance Charges								
Interest on Long-term Debt	9,089	8,015	8,105	25,560	24,046	24,317	31,971	32,334
Interest on Long-term Committed Credit Facility	36	634	344	368	1,777	1,197	2,444	1,445
Interest on Short-term Uncommitted Demand Facility	-	-	(1)	7	-	9	-	11
Amortization of Deferred Debt Issue Costs	66	44	59	170	133	177	177	236
Amortization of Capital Stock Issue Expenses	9	9	16	28	28	47	38	62
Interest on Security Deposits	1	-	8	7	-	30	-	37
Allowance For Funds Used During Construction (AFUDC)	(181)	(119)	(198)	(372)	(280)	(378)	(400)	(618)
Total Finance Charges	**9,020**	**8,583**	**8,333**	**25,768**	**25,704**	**25,399**	**34,230**	**33,507**

[1] Amortization of the Municipal Tax Liability as approved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
CUSTOMER AND EMPLOYEE STATISTICS
As At September 30

	THIRD QUARTER		ANNUAL	
	Actual 2009	**Actual 2008**	**Plan 2009**	**Actual 2008**
Customers	238,276	234,226	237,723	235,778
Employees [1]				
Regular	572	550	562	551
Temporary	75	75	76	77
Total	647	625	638	628

[1] Refers to full time equivalents.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY AREA
For The Periods Ended September 30

	SAIFI					SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR	QUARTER		12 MONTH TO DATE		5 YEAR
	2009	2008	2009	2008	TO DATE	2009	2008	2009	2008	TO DATE
AREA	#	#	#	#	# / YEAR	HOURS	HOURS	HOURS	HOURS	HRS. / YEAR
St. John's	0.59	0.19	2.12	3.29	2.40	0.22	0.38	2.01	3.34	2.39
Avalon	0.36	0.46	1.72	1.84	2.09	0.38	0.44	1.85	3.18	3.00
Burin	1.24	1.19	4.42	3.33	4.88	1.00	0.48	4.72	3.32	4.45
Bonavista	0.75	2.51	2.96	8.00	5.04	0.90	2.08	3.92	42.62	12.33
Gander	1.15	1.53	3.85	4.27	4.17	1.07	1.88	3.90	8.14	5.34
Grand Falls	0.45	0.62	3.61	2.28	2.92	0.53	0.70	3.90	2.57	3.81
Corner Brook	0.33	0.63	1.58	3.64	2.49	0.12	0.89	1.83	3.92	2.64
Stephenville	0.89	1.90	3.81	3.71	4.46	0.93	1.10	2.80	2.95	4.09
Company Totals	**0.63**	**0.94**	**2.57**	**3.44**	**2.99**	**0.46**	**0.76**	**2.60**	**6.31**	**3.75**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended September 30

ORIGIN	SAIFI QUARTER 2009 #	SAIFI QUARTER 2008 #	SAIFI 12 MONTH TO DATE 2009 #	SAIFI 12 MONTH TO DATE 2008 #	SAIFI 5 YEAR TO DATE # / YEAR
Loss of Supply (NF Hydro)	0.15	0.27	0.30	1.02	0.53
Transmission	0.27	0.37	0.72	0.77	0.85
Distribution	0.21	0.30	1.55	1.65	1.61
Company Totals	**0.63**	**0.94**	**2.57**	**3.44**	**2.99**

System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended September 30

ORIGIN	SAIDI QUARTER 2009 HOURS	SAIDI QUARTER 2008 HOURS	SAIDI 12 MONTH TO DATE 2009 HOURS	SAIDI 12 MONTH TO DATE 2008 HOURS	SAIDI 5 YEAR TO DATE HRS. / YEAR
Loss of Supply (NF Hydro)	0.01	0.05	0.08	0.55	0.23
Transmission	0.15	0.33	0.51	0.82	0.75
Distribution	0.30	0.38	2.01	4.94	2.77
Company Totals	**0.46**	**0.76**	**2.60**	**6.31**	**3.75**

System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BREAKDOWN REPORT
Third Quarter 2009

AREA	SCHEDULED		UNSCHEDULED		TOTAL	
	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS
St. John's	0.11	0.10	0.48	0.12	0.59	0.22
Avalon	0.23	0.06	0.13	0.33	0.36	0.39
Burin	0.22	0.29	1.02	0.71	1.24	1.00
Bonavista	0.22	0.64	0.52	0.26	0.74	0.90
Gander	0.66	0.54	0.49	0.53	1.15	1.07
Grand Falls	0.03	0.04	0.42	0.49	0.45	0.53
Corner Brook	0.04	0.05	0.29	0.07	0.33	0.12
Stephenville	0.10	0.03	0.79	0.91	0.89	0.94
Company Totals	**0.17**	**0.16**	**0.46**	**0.30**	**0.63**	**0.46**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.

CAPITAL EXPENDITURE PROGRESS REPORT

For the Period Ended September 30, 2009

Introduction

The Capital Expenditure Progress Report summarizes the capital expenditures of the various capital accounts of the Company and lists any new lease obligations in excess of $5,000 per year.

The report contains three sections:

1. The Budget section outlines the annual capital expenditure budget approved by the Public Utilities Board for the current year.

2. The Expenditure section outlines actual capital expenditures for the current quarter and year to date, and indicates the balance of the annual capital budget remaining to be expended (difference between annual budget and year to date actual).

3. The Leasing Arrangement section includes a brief description of the item being leased, the leasing period, and the annual and quarterly leasing costs.

NEWFOUNDLAND POWER INC.
CAPITAL EXPENDITURE PROGRESS REPORT
For the Period Ended September 30, 2009
($000s)

	BUDGET	EXPENDITURE [1]		
	Approved by Order No. P.U. 27(2008), P.U. 29 (2009), P.U. 32(2009) and P.U. 38(2009)	Third Quarter	Year To Date	Unexpended Balance
Generation Hydro	8,899	2,929	5,412	3,487
Generation Thermal	100	34	77	23
Substations	7,469	2,024	4,879	2,590
Transmission	4,507	2,341	3,384	1,123
Distribution	31,046	9,304	27,021	4,025
General Property	835	231	500	335
Transportation	2,255	81	1,960	295
Telecommunications	350	78	236	114
Information Systems	3,725	806	2,619	1,106
Unforeseen Items	1,835	341	341	1,494
General Expenses Capital	2,800	686	2,250	550
TOTAL	63,821	18,855	48,679	15,142

Leasing Arrangements Entered Into			
Brief Description	**Period**	**Annual Cost**	**Quarterly Payments**
	There were no lease obligations in excess of $5,000 annually entered into during the third quarter of 2009.		

[1] Excludes capital expenditures of approximately $368,000 related to prior years capital projects carried forward into 2009.

NEWFOUNDLAND POWER INC.

INTER-COMPANY TRANSACTIONS REPORT

For the Period Ended September 30, 2009

Introduction

The Inter-Company Transactions Report summarizes transactions between the Company and related corporations on a quarterly and year-to-date basis. The report itemizes the charges by type and distinguishes between regulated and non-regulated charges. The report also documents any contracts, agreements or loans between Newfoundland Power and any related corporation that were signed in the current quarter.

The report is divided into four sections as follows:

1. The first section aggregates charges from all related corporations and presents a summary, by charge type, for the current quarter and year-to-date with comparable data for the same period last year, as well as annual charges for the previous year.

2. The second section breaks down the charges ***from*** each individual associated corporation and presents an itemized quarterly summary for the current year and year-to-date with comparable data for the same period last year, as well as annual charges for the previous year.

3. The third section breaks down the charges ***to*** each individual associated corporation and presents an itemized quarterly summary for the current year and year-to-date with comparable data for the same period last year, as well as annual charges for the previous year.

4. The fourth section lists any contracts or agreements that were signed between the Company and any related corporation as well as any loans with related corporations. Loan information provided includes the amount of the loan, the date of borrowing and date of repayment, the interest rate, and total interest paid.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Summary of Charges
For The Period Ended September 30, 2009

Charges from Associated Companies

Regulated Charges	Third Quarter 2009	Third Quarter 2008	Year To Date 2009	Year To Date 2008	Annual 2008
Trustee & Share Plan Costs	$ 10,000	$ 8,000	$ 30,000	$ 24,000	$ 34,000
Hotel/Banquet Facilities	2,459	21,365	11,084	30,087	52,171
Staff Charges	-	-	12,000	-	-
Joint-use Pole Purchases	168	-	2,532	13,667	108,942
Miscellaneous	14,210	232	58,405	46,875	68,978
Sub-total	$ 26,837	$ 29,597	$ 114,021	$ 114,629	$ 264,091

Non-Regulated Charges	Third Quarter 2009	Third Quarter 2008	Year To Date 2009	Year To Date 2008	Annual 2008
Directors' Fees & Travel	$ 43,000	$ 53,000	$ 129,000	$ 162,000	$ 112,000
Annual & Quarterly Reports	28,000	30,000	84,000	91,000	96,000
Staff Charges	50,000	22,000	150,000	68,000	120,000
Miscellaneous	61,000	46,000	582,521	506,057	590,057
Sub-total	$ 182,000	$ 151,000	$ 945,521	$ 827,057	$ 918,057
TOTAL	$ 208,837	$ 180,597	$ 1,059,542	$ 941,686	$ 1,182,148

Charges to Associated Companies

	Third Quarter 2009	Third Quarter 2008	Year To Date 2009	Year To Date 2008	Annual 2008
Printing & Stationery	$ 308	$ 332	$ 810	$ 981	$ 1,216
Postage	4,419	4,301	15,776	15,214	19,907
Staff Charges	122,977	282,312	375,707	609,675	1,057,284
Staff Charges - Insurance	37,187	46,658	180,855	169,773	229,330
IS Charges	-	6,000	-	8,841	31,192
Pole Installations	4,190	5,480	12,086	14,491	19,295
Miscellaneous	21,365	38,119	35,737	49,799	154,799
TOTAL	$ 190,446	$ 383,202	$ 620,971	$ 868,774	$ 1,513,023

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended Septemebr 30, 2009

	Third Quarter 2009			Third Quarter 2008		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.						
Directors' Fees & Travel	$ -	$ 43,000	$ 43,000	$ -	$ 53,000	$ 53,000
Annual & Quarterly Reports	-	28,000	28,000	-	30,000	30,000
Trustee & Share Plan Costs	10,000	-	10,000	8,000	-	8,000
Staff Charges	-	50,000	50,000	-	22,000	22,000
Joint-use Pole Purchases [1]	168	-	168	-	-	-
Miscellaneous	3,750	61,000	64,750	232	46,000	46,232
Total	$ 13,918	$ 182,000	$ 195,918	$ 8,232	$ 151,000	$ 159,232
Fortis Properties Corporation						
Staff Charges	$ -	$ -	$ -	$ -	$ -	$ -
Hotel/Banquet Facilities	2,459	-	2,459	21,365	-	21,365
Miscellaneous	-	-	-	-	-	-
Total	$ 2,459	$ -	$ 2,459	$ 21,365	$ -	$ 21,365
Maritime Electric Co. Ltd.						
Miscellaneous	$ 1,538	$ -	$ 1,538	$ -	$ -	$ -
Total	$ 1,538	$ -	$ 1,538	$ -	$ -	$ -
FortisOntario Inc.						
Miscellaneous	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -	$ -	$ -
FortisBC Inc.						
Miscellaneous	$ 8,922	$ -	$ 8,922	$ -	$ -	$ -
Total	$ 8,922	$ -	$ 8,922	$ -	$ -	$ -

[1] In 2008, charges from Fortis Inc. relating to Joint-use Pole Purchases were included in the Miscellaneous category.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended September 30, 2009

	Year To Date 2009			Year To Date 2008			Annual 2008		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.									
Directors' Fees and Travel	$ -	$ 129,000	$ 129,000	$ -	$ 162,000	$ 162,000	$ -	$ 112,000	$ 112,000
Annual & Quarterly Reports	-	84,000	84,000	-	91,000	91,000	-	96,000	96,000
Trustee & Share Plan Costs	30,000	-	30,000	24,000	-	24,000	34,000	-	34,000
Staff Charges	-	150,000	150,000	-	68,000	68,000	-	120,000	120,000
Joint-use Pole Purchases [1]	2,532	-	2,532	13,667	-	13,667	108,942	-	108,942
Miscellaneous	32,290	582,521	614,811	22,524	506,057	528,581	27,783	590,057	617,840
Total	$ 64,822	$ 945,521	$ 1,010,343	$ 60,191	$ 827,057	$ 887,248	$ 170,725	$ 918,057	$ 1,088,782
Fortis Properties Corporation									
Staff Charges	$ 12,000	$ -	$ 12,000	$ -	$ -	$ -	$ -	$ -	$ -
Hotel/Banquet Facilities	11,084	-	11,084	30,087	-	30,087	52,171	-	52,171
Miscellaneous	3,178	-	3,178	5,569	-	5,569	5,569	-	5,569
Total	$ 26,262	$ -	$ 26,262	$ 35,656	$ -	$ 35,656	$ 57,740	$ -	$ 57,740
Maritime Electric Co. Ltd.									
Miscellaneous	$ 6,744	$ -	$ 6,744	$ -	$ -	$ -	$ 2,497	$ -	$ 2,497
Total	$ 6,744	$ -	$ 6,744	$ -	$ -	$ -	$ 2,497	$ -	$ 2,497
FortisOntario Inc.									
Miscellaneous	$ -	$ -	$ -	$ 9,172	$ -	$ 9,172	$ 9,172	$ -	$ 9,172
Total	$ -	$ -	$ -	$ 9,172	$ -	$ 9,172	$ 9,172	$ -	$ 9,172
FortisBC Inc.									
Miscellaneous	$ 16,193	$ -	$ 16,193	$ 9,610	$ -	$ 9,610	$ 23,957	$ -	$ 23,957
Total	$ 16,193	$ -	$ 16,193	$ 9,610	$ -	$ 9,610	$ 23,957	$ -	$ 23,957

[1] In 2008, charges from Fortis Inc. relating to Joint-use Pole Purchases were included in the Miscellaneous category

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended September 30, 2009

	Third Quarter 2009	Third Quarter 2008	Year To Date 2009	Year To Date 2008	Annual 2008
Fortis Inc. [1]					
Printing & Stationery	$ 69	$ 40	$ 129	$ 135	$ 135
Postage	4,419	4,301	15,776	15,214	19,907
Staff Charges	75,165	101,397	215,507	250,914	324,686
Staff Charges - Insurance	24,349	35,419	147,403	125,082	148,679
IS Charges	-	6,000	-	8,694	8,971
Pole Installations	4,190	5,480	12,086	14,491	19,295
Miscellaneous	4,375	2,401	8,222	4,755	6,056
Total	$ 112,567	$ 155,038	$ 399,123	$ 419,285	$ 527,729
Fortis Properties Corporation					
Printing & Stationery	$ 239	$ 292	$ 681	$ 846	$ 1,081
Staff Charges - Insurance	1,668	4,529	11,733	12,446	26,905
IS Charges	-	-	-	-	4,432
Miscellaneous	840	1,100	2,691	2,740	6,301
Total	$ 2,747	$ 5,921	$ 15,105	$ 16,032	$ 38,719
Maritime Electric Co. Ltd.					
Staff Charges	$ -	$ 54	$ 1,141	$ 4,945	$ 6,036
Staff Charges - Insurance	726	1,661	1,345	1,855	5,834
IS Charges	-	-	-	-	2,424
Miscellaneous	600	1,000	701	1,081	1,081
Total	$ 1,326	$ 2,715	$ 3,187	$ 7,881	$ 15,375
FortisOntario Inc.					
Staff Charges - Insurance	$ 5,044	$ 821	$ 8,224	$ 1,280	$ 4,638
IS Charges	-	-	-	-	2,424
Miscellaneous	270	850	273	850	850
Total	$ 5,314	$ 1,671	$ 8,497	$ 2,130	$ 7,912
Fortis US Energy Corporation					
Staff Charges - Insurance	$ -	$ -	$ -	$ -	$ 2,424
Total	$ -	$ -	$ -	$ -	$ 2,424
Belize Electric Company Limited					
Staff Charges	$ 29,893	$ 22,807	$ 67,171	$ 74,130	$ 89,390
Staff Charges - Insurance	756	108	1,782	700	1,996
Total	$ 30,649	$ 22,915	$ 68,953	$ 74,830	$ 91,386

[1] In prior reports, Fortis Inc. included charges to Terasen Gas Inc., Caribbean Utilities Co. Limited, and Fortis Turks and Caicos. Charges to these companies are now shown separately in the report. As result of this change charges to Fortis Inc. in 2008 have been restated.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended September 30, 2009

	Third Quarter 2009	Third Quarter 2008	Year To Date 2009	Year To Date 2008	Annual 2008
Belize Electricity Limited					
Staff Charges	$ 392	$ 9,854	$ 1,281	$ 23,173	$ 23,173
Staff Charges - Insurance	162	158	2,538	553	661
IS Charges	-	-	-	85	4,240
Miscellaneous	3,150	15,195	4,756	15,735	19,564
Total	$ 3,704	$ 25,207	$ 8,575	$ 39,546	$ 47,638
FortisAlberta Inc.					
Staff Charges	$ -	$ 33,610	$ -	$ 92,579	$ 152,837
Staff Charges - Insurance	2,214	486	2,646	4,193	7,361
IS Charges	-	-	-	62	391
Miscellaneous	2,890	8,959	3,441	15,451	18,180
Total	$ 5,104	$ 43,055	$ 6,087	$ 112,285	$ 178,769
FortisBC Inc.					
Staff Charges - Insurance	$ 810	$ 1,836	$ 1,026	$ 6,376	$ 9,344
IS Charges	-	-	-	-	8,310
Miscellaneous	2,067	3,200	2,292	3,362	3,362
Total	$ 2,877	$ 5,036	$ 3,318	$ 9,738	$ 21,016
Terasen Gas Inc.					
Staff Charges	$ -	$ 216	$ -	$ 216	$ 216
Staff Charges - Insurance	918	-	918	10,157	12,485
Miscellaneous	5,875	3	6,295	134	134
Total	$ 6,793	$ 219	$ 7,213	$ 10,507	$ 12,835
Caribbean Utilities Co. Limited					
Staff Charges	$ -	$ -	$ 888	$ -	$ -
Staff Charges - Insurance	324	398	594	861	1,167
Miscellaneous	-	-	101	81	81
Total	$ 324	$ 398	$ 1,583	$ 942	$ 1,248
Fortis Turks and Caicos					
Staff Charges	$ 17,527	$ 114,374	$ 89,719	$ 163,718	$ 460,946
Staff Charges - Insurance	216	1,242	2,646	6,270	7,836
Miscellaneous	1,298	5,411	6,965	5,610	99,190
Total	$ 19,041	$ 121,027	$ 99,330	$ 175,598	$ 567,972

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Agreements With Associated Companies
For the Period Ended September 30, 2009

No loans or agreements with related companies were entered into during the quarter ending September 30, 2009.

NEWFOUNDLAND POWER INC.

CUSTOMER PROPERTY DAMAGE CLAIMS REPORT

For the Quarter Ending September 30, 2009

Introduction

The Customer Property Damage Claims Report contains an overview of all damage claims activity summarized on a quarterly basis. The information contained in the report is broken down by cause as well as by the operating region where the claims originated.

The report is divided into four sections as follows:

1. The first section indicates the number of claims received during the quarter coupled with claims outstanding from the previous quarter.

2. The second section shows the number of claims for which the Company has accepted responsibility and the amount paid to claimants versus the amount originally claimed.

3. The third section shows the number of claims rejected and the dollar value associated with those claims.

4. The fourth section indicates those claims that remain outstanding at the end of the current quarter and the dollar value associated with such claims.

Overview - Third Quarter

The total number of damage claims received during the third quarter of 2009 has increased in comparison to the number of claims received during the same period in 2008. The increase is found primarily in the Improper Workmanship and Equipment Failure categories. From a regional perspective the increase in claims is primarily related to the Eastern Region.

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Cause

For the Quarter Ending September 30, 2009

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	1	1	2	1	$ 440	$ 257	-	$ -	1	$ 1,000
Power Interruptions	-	-	-	-	-	-	-	-	-	-
Improper Workmanship	6	1	7	6	7,896	6,374	-	-	1	5,000
Weather Related	1	-	1	-	-	-	1	500	-	-
Equipment Failure	20	9	29	21	25,802	19,716	-	-	8	36,415
Third Party	-	-	-	-	-	-	-	-	-	-
Miscellaneous	15	5	20	14	11,038	9,531	1	10,000	5	41,497
Total	**43**	**16**	**59**	**42**	**$ 45,176**	**$ 35,878**	**2**	**$ 10,500**	**15**	**$ 83,912**

For the Quarter Ending September 30, 2008

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	1	-	1	1	$ 274	$ 274	-	$ -	-	$ -
Power Interruptions	-	-	-	-	-	-	-	-	-	-
Improper Workmanship	1	4	5	1	600	170	-	-	4	36,196
Weather Related	-	-	-	-	-	-	-	-	-	-
Equipment Failure	14	7	21	17	18,443	10,108	1	5,000	3	3,300
Third Party	1	1	2	1	473	473	-	-	1	500
Miscellaneous	14	1	15	15	7,116	6,136	-	-	-	-
Total	**31**	**13**	**44**	**35**	**$ 26,906**	**$ 17,161**	**1**	**$ 5,000**	**8**	**$ 39,996**

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Region

For the Quarter Ending September 30, 2009

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	26	14	40	27	$ 26,729	$ 20,896	1	$ 500	12	$ 80,812
Western Region	17	2	19	15	18,447	14,982	1	10,000	3	3,100
Total	**43**	**16**	**59**	**42**	**$ 45,176**	**$ 35,878**	**2**	**$ 10,500**	**15**	**$ 83,912**

For the Quarter Ending September 30, 2008

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	15	13	28	21	$ 18,741	$ 8,996	1	$ 5,000	6	$ 38,996
Western Region	16	-	16	14	8,165	8,165	-	-	2	1,000
Total	**31**	**13**	**44**	**35**	**$ 26,906**	**$ 17,161**	**1**	**$ 5,000**	**8**	**$ 39,996**

Definitions of Causes of Damage Claims

1. **System Operations:** Claims arising from system operations. Examples include normal reclosing or switching.

2. **Power Interruptions:** Claims arising from interruption of power supply. Examples include all scheduled or unscheduled interruptions.

3. **Improper Workmanship:** Claims arising from failure of electrical equipment caused by improper workmanship or methods. Examples include improper crimping of connections, insufficient sealing and taping of connections, improper maintenance, inadequate clearance, or improper operation of equipment.

4. **Weather Related:** Claims arising from weather conditions. Examples include wind, rain, ice, lightning, or corrosion caused by weather.

5. **Equipment Failure:** Claims arising from failure of electrical equipment not caused by improper workmanship. Examples include broken neutrals, broken tie wires, transformer failure, insulator failure or broken service wire.

6. **Third Party:** Claims arising from equipment failure caused by acts of third parties. Examples include motor vehicle accidents and vandalism.

7. **Miscellaneous:** All claims not related to electrical service.

NEWFOUNDLAND POWER INC.

CONTRIBUTION IN AID OF CONSTRUCTION
QUARTERLY ACTIVITY REPORT

For the Quarter Ending September 30, 2009

The table below summarizes Contribution In Aid of Construction (CIAC) activity for the third quarter of 2009. The table is divided into three sections. The first section identifies the type of service for which a CIAC has been calculated. Services are categorized as Domestic (located within a Residential Planning Area), Domestic (located outside a Residential Planning Area) or General Service.

The second section indicates the number of CIACs quoted during the quarter as well as the number of CIAC quotes that remained outstanding at the end of the previous quarter. This format facilitates a reconciliation of the total number of CIACs that were active during the quarter.

The third section provides information as to the disposition of the total CIACs quoted. A CIAC is considered Accepted when a customer indicates they wish to proceed with construction of the extension and has agreed to pay any charge that may be applicable. A CIAC is considered Outdated after six months has elapsed and the customer has not indicated their intention to proceed with the extension. A quoted CIAC is Outstanding if it is neither Accepted nor Outdated.

Type of Service	CIACs Quoted	CIACs Outstanding Previous Qtr.	Total CIACs Quoted	CIACs Accepted	CIACs Outdated	Total CIACs Outstanding
Domestic						
- Within Planning Area	10	16	26	16	1	9
- Outside Planning Area	41	37	78	45	7	26
	51	53	104	61	8	35
General Service	16	9	25	11	3	11
Total	67	62	129	72	11	46

The table on pages 2 to 4 of the report provides specific information for the 67 CIACs quoted to customers during the period July 1, 2009 to September 30, 2009. Both the CIAC amounts quoted and the Estimated Construction Costs exclude HST.

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Third Quarter 2009

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (within Residential Planning Area)						
31-Aug-09	Cole, Shane	Bauline South	2009-10-156	1,450.00	3,575.00	
04-Aug-09	Drolet, Stephan	North River	2009-20-179	1,275.00	3,400.00	Yes
03-Sep-09	Duffenais, Rose	Black Duck Brook	2009-51-120	2,850.00	5,475.00	Yes
09-Jul-09	Isaacs, Yolanda	Community of Terra Nova	2009-41-113	2,630.60	4,755.60	Yes
26-Aug-09	Keats, Frank	Bunyan's Cove	2009-30-106	1,940.00	4,065.00	Yes
31-Aug-09	Keats, Shannon	Bunyan's Cove	2009-30-107	2,523.75	4,648.75	Yes
27-Jul-09	McKay, Kevin	Reidville	2009-50-118	22,425.00	24,550.00	
28-Sep-09	Norman, Roger	Cupids	2009-20-194	3,225.00	5,350.00	
06-Jul-09	Spurrell, Harry	Chapel Arm	2009-20-148	336.00	2,711.00	Yes
17-Aug-09	Stead, Ernest	Bonavista	2009-30-104	4,448.00	6,573.00	Yes
DOMESTIC (outside Residential Planning Area)						
17-Sep-09	Antle, Nicholas	Witless Bay Line	2009-10-163	5,752.00	6,377.00	
01-Sep-09	Barker, Jeffrey	Red Cliff (near Grand Falls-Windsor)	2009-40-128	7,648.40	8,273.40	Yes
09-Sep-09	Barney, Verda	Golden Gullies Cottage Area	2009-20-190	4,331.37	5,881.37	Yes
10-Sep-09	Boyles, Jerry	Goobies	2009-30-105	9,104.25	9,729.25	Yes
03-Sep-09	Butler, Curtis	Wreckhouse/McDougals Cottage Area	2009-51-119	1,135.89	1,760.89	Yes
27-Jul-09	Carroll, Shawn	Mountain View Cottage Area - St. Andrews	2009-51-114	30,753.50	50,003.50	
03-Jul-09	Cooke, Alex	Exploit's River Cottage Area - Bishop's Falls	2009-40-122	47,113.67	47,113.67	
31-Aug-09	Croft, Michelle	Mobile First Pond Cottage Area	2009-10-158	2,149.14	2,774.14	Yes
30-Jul-09	Cummings, Gerard	Emberley Place-Mahers Cottage Area	2009-20-177	50,625.00	63,100.00	Yes
11-Sep-09	Curtis, Christopher	Witless Bay Line (Phase 1) Cottage Area	2009-10-161	1,879.34	2,504.34	Yes
01-Sep-09	Davis, Daniel	Badger Lake Cottage Area	2009-40-127	1,952.72	2,577.72	
23-Jul-09	Duff, James	Mahers Cottage Area	2009-20-172	2,102.30	2,727.30	Yes

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Third Quarter 2009

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (outside Residential Planning Area)						
24-Jul-09	Dunne, Paul	Placentia Junction Cottage Area	2009-20-175	2,877.34	3,502.34	Yes
01-Sep-09	Fagan, Stephen	Mahers Cottage Area	2009-20-187	2,102.30	2,727.30	Yes
03-Jul-09	Freake, Graham	Monroe's Pond Cottage Area	2009-40-123	3,318.18	3,943.18	Yes
16-Sep-09	Grant, Gerald	Salmonier Line	2009-20-192	5,500.00	6,125.00	Yes
12-Aug-09	Hardy, George	Girl Guide Camp Road Area - Corner Brook	2009-50-115	45,412.50	51,037.50	
22-Jul-09	Hollett, Jeff	Spread Eagle Cottage Area	2009-20-171	4,187.50	5,062.50	Yes
31-Aug-09	Jardine, Fred	Mahers Cottage Area (Phase 2)	2009-20-184	2,616.04	3,241.04	Yes
31-Aug-09	Kane, Richard	Cape Pond Road Cottage Area	2009-10-160	1,455.01	2,080.01	
14-Jul-09	Keating, Amelia	North West Brook Cottage Area	2009-31-106	5,489.58	6,114.58	Yes
16-Sep-09	Kowalczyk, Marcel	Pond That Feeds The Brook Cottage Area	2009-20-191	5,101.43	5,726.43	Yes
27-Jul-09	Lahey, Dawn	Cape Pond Road Cottage Area	2009-10-148	1,455.01	2,080.01	Yes
31-Aug-09	Lambert, Wayne	Ryan's/Whelan's Pond Cottage Area	2009-20-182	2,813.68	3,438.68	Yes
20-Jul-09	Lewis, Jordan	Flatrock Road (near Carbonear)	2009-20-165	1,000.00	1,925.00	
04-Aug-09	Mooney, John	Ryan's/Whelan's Pond Cottage Area	2009-20-180	2,813.68	3,438.68	Yes
10-Jul-09	Morgan, Paul	Mahers Cottage Area	2009-20-168	2,102.30	2,727.73	Yes
22-Jul-09	Noftall, June	Cape Pond Road Cottage Area	2009-10-153	1,455.01	2,175.00	Yes
23-Jul-09	Ottenheimer, Dion	Mahers Cottage Area	2009-20-174	2,102.30	2,727.30	Yes
30-Jul-09	Parsons, Reginald	Salmonier Line	2009-20-176	550.00	1,550.00	
25-Sep-09	Pennell, Dave	Pinchgut Lake Cottage Area	2009-50-122	1,625.00	2,250.00	
31-Aug-09	Pike, Verley	Mahers Cottage Area (Phase 2)	2009-20-186	2,616.04	3,241.04	Yes
20-Jul-09	Pitcher, Graham	Denney's Pond Cottage Area	2009-20-169	2,565.33	3,190.33	
09-Sep-09	Poole, Ross	Ryan's/Whelan's Pond Cottage Area	2009-20-189	2,813.68	3,438.68	
31-Aug-09	Power, Ken	Mahers Cottage Area (Phase 2)	2009-20-185	2,616.04	3,241.04	Yes
23-Jul-09	Sooley, Ed	Sandy Point Cottage Area	2009-40-124	2,641.89	3,266.89	Yes

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Third Quarter 2009

Date Quoted	Customer Name	Service Location	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (outside Residential Planning Area)						
24-Sep-09	Stacey, Gregory	Thorburn Lake Cottage Area	2009-30-108	4,331.29	4,956.29	
29-Sep-09	Vincent, Calvin	Beachy Cove Road Cottage Area	2009-10-165	3,372.00	4,357.00	
20-Jul-09	Wareham-Stamp, Mary	Nine Island Pond Cottage Area	2009-20-170	2,807.82	3,432.82	Yes
22-Jul-09	Watton, Keith	Howley Cottage Area	2009-50-117	2,961.54	3,586.54	
14-Aug-09	Whiteway, John	Pinchgut Lake Cottage Area	2009-50-120	750.00	1,375.00	
GENERAL SERVICE						
24-Sep-09	Aunt Minnie's Frozen Foods	Lethbridge (food processing)	2009-30-109	67,314.34	73,554.34	
31-Aug-09	Botwood Fur Ranch	Northern Arm (mink farm)	2009-40-126	3,000.00	6,150.00	Yes
20-Jul-09	City of St. John's	Robin Hood Bay (waste recycling)	2009-10-143	2,925.00	6,550.00	Yes
14-Sep-09	E&E Drive-in	Brigus (restaurant/take-out)	2009-20-188	5,425.00	5,425.00	Yes
06-Jul-09	Eastlink Communications	Bay Roberts (cable television)	2009-20-166	6,528.00	6,990.00	Yes
22-Jul-09	Fairport Investments	Paddy's Pond (aircraft hanger)	2009-10-136	12,500.00	14,625.00	Yes
17-Jul-09	Lawn Harbour Authority	Lawn (ice making facility)	2009-31-107	18,702.00	23,046.00	
10-Jul-09	Murphy's Sod Farm	TCH, near Whitbourne (sod farm)	2009-20-167	4,100.00	6,225.00	
04-Aug-09	Nurse Abernathy Clinic	Trepassey (nursing clinic)	2009-20-178	5,218.00	11,088.00	Yes
01-Sep-09	Thomas Howe	TCH, near Gander (demonstration forest)	2009-41-114	1,325.00	3,450.00	
01-Sep-09	Town of Glenwood	Glenwood (boat launch)	2009-41-116	3,500.00	3,500.00	
29-Sep-09	Town of Marystown	Marystown (sewer processing plant)	2009-31-108	7,795.50	10,920.50	Yes
21-Sep-09	Town of Seal Cove	Seal Cove (lift station)	2009-10-127	35,402.60	41,246.00	
27-Aug-09	Town of Wabana	Wabana (pump house)	2009-10-159	35,455.44	42,019.44	
24-Aug-09	Winterton Futures Comm.	Winterton (recreation park)	2009-20-181	1,700.00	3,825.00	Yes
08-Jul-09	Zenzville Park	Kippens (recreation park)	2009-51-117	3,565.00	20,325.00	Yes

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
P.O. Box 8910
St. John's, NL A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

February 12, 2010

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

Enclosed are eleven copies of Newfoundland Power Inc.'s Quarterly Regulatory Report for the quarter ending December 31, 2009.

The report is divided into five sections: Quarterly Summary; Capital Expenditure Progress; Inter-Company Transactions; Customer Property Damage Claims; and Contribution In Aid of Construction Activity.

Following discussions with Board staff regarding customer privacy, the *CIAC Quarterly Activity Report* section of the Quarterly Regulatory Report has been modified. Commencing with the report for the most recent quarter, customer names and service locations will be omitted from that section of the Quarterly Regulatory Reports.

If you have any questions on the enclosed, please contact the undersigned at the direct number noted below.

Yours very truly,

Gerard M. Hayes
Senior Counsel

Enclosures

c. Geoffrey P. Young
Newfoundland & Labrador Hydro

Quarterly Regulatory Report

For The Period Ended

December 31, 2009

QUARTERLY REGULATORY REPORT

FOR THE PERIOD ENDED

December 31, 2009

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1. Highlights

Highlights	4th Quarter			Annual	
	Actual 2009	Plan 2009	Actual 2008	Actual 2009	Plan 2009
Customer Satisfaction (%)	90	89	89	90	89
Electricity Delivery					
Electricity Sales (GWh) [1]	1,473.9	1,420.0	1,412.2	5,299.0	5,244.5
Peak Demand (MW) [1, 2]	1,237.1	1,234.5	1,188.0	1,237.1	1,234.5
Customer Minutes of Outage [3]	12.3	10.6	11.6	35.6	37.6
Employee Injuries [4]	3	3	5	7	12
Revenue ($millions) [1]	146.5	139.7	139.0	527.2	520.1
Earnings ($millions) [5]	8.6	8.0	7.9	32.6	32.8

- Customer satisfaction exceeded plan.
- 4th quarter and annual electricity sales higher than plan and 2008.
- Annual reliability and safety performance better than plan and 2008.
- 4th quarter earnings exceeded plan; annual performance is consistent with plan.
- Capital expenditures of $70 million exceeded plan by $5.3 million.
- 2010 capital budget of $64.7 million approved by PUB.
- PUB approved 3.5% average customer rate increase and 9% return on equity for 2010.

1 Weather adjusted.
2 Peak demand for the 2008/2009 winter period occurred on January 27th, 2009 at 8:45 a.m.
3 In millions of minutes, excluding Hydro related interruptions.
4 Total lost time and medical aid incidents.
5 Earnings applicable to common shares.

2. Customer Service

Customer Service Performance (%)	Annual		
	Actual 2009	Plan 2009	Actual 2008
Customer Satisfaction	90	89	89
First Call Resolution [1]	88	88	88
Service Level [2]	76	80	80
Trouble Call Response [3]	91	85	91

[1] Per cent of customer calls resolved on first contact.
[2] Per cent of customer calls answered within 40 seconds.
[3] Per cent of call response within two hours.

Customer Service Performance

Overall customer service performance to the end of the year was good. Customer satisfaction, first call resolution and trouble call response continued to track equal to or higher than plan. The Contact Centre service level tracked below plan.

Customer Service Improvements

The Contact Centre implemented a new email management system which will provide better organization and tracking of customer email requests. This new tool enables better management of the increasing volume of customer emails that are being received and responded to through the Contact Centre.

Tina Slade, Customer Account Representative

Energy Conservation

During 2009, 1,850 Newfoundland Power customers participated in one or more of the *takeCHARGE!* rebate programs, exceeding our target of 1,673 participants. The majority of program participation to date has been from customers living in urban areas, particularly St. John's, Mount Pearl and Corner Brook. Customer research completed late in the year will help us understand these trends and guide modifications to our approach for 2010.

Our mass media and retail advertising campaign continued through the quarter. Customer Service Specialists across the island visited more than 130 retail outlets to distribute a new series of point-of-purchase display materials, as well as talk about the *takeCHARGE!* initiative with sales staff. In addition to television and newspaper advertising, we also increased our customers' exposure to *takeCHARGE!* through cinema advertising and hockey rink boards throughout the province.

During the week of November 13th to 20th, we hosted Energy Conservation Week together with Newfoundland and Labrador Hydro (Hydro). Our team held events in local malls or retail outlets in each of our areas. A special television series was produced and aired during the week, aimed at educating customers on tips and techniques to save energy in their homes. We also launched an ENERGY STAR® electronics contest called *Warm Up to Win* which solicited more than 8,000 entries between November 13th and December 10th.

Filming the takeCHARGE! Energy Efficiency Week "Winter Warm-Up" Series

Energy Conservation Week promotions had a significant impact on our *takeCHARGE!* website activity. Weekly visits to the website have increased from 750 before the June program launch to 1,500 in early November, to a high of 2,670 during Energy Conservation Week.

Additional *takeCHARGE!* community and outreach events during the quarter included the Federation of Municipalities Convention in Gander and holiday tree lighting ceremonies in nine communities across the province. The *takeCHARGE!* team also presented the *takeCHARGE!* Energy Savers program to members of several organizations during the quarter, including the Business Association of Newfoundland & Labrador, the Building Owners and Managers Association (BOMA) and the Cadet Corps of Pasadena.

Retail Rate Review

In accordance with the 2008 General Rate Application Settlement Agreement, Newfoundland Power is conducting an evaluation of its existing rate designs and a review of alternative rate designs to determine their appropriateness for billing customers (the "Retail Rate Review"). The final Rate Design Report was submitted to the Public Utilities Board (the "PUB") on January 28th, 2009. A Customer Feedback Report was filed with the PUB on June 19th, 2009.

It was originally expected that rate design alternatives would be assessed at a Technical Conference involving all interested stakeholders during 2009 in accordance with the 2008 GRA Settlement Agreement. A settlement agreement associated with the Company's 2010 GRA provided for adjustments to the original schedule for the Rate Design Review. In the 2010 GRA Order, the PUB approved that Newfoundland Power, in consultation with the Consumer Advocate, shall file no later than March 31st, 2010 a revised schedule for the ongoing retail rate design study.

3. System Performance

A. Reliability

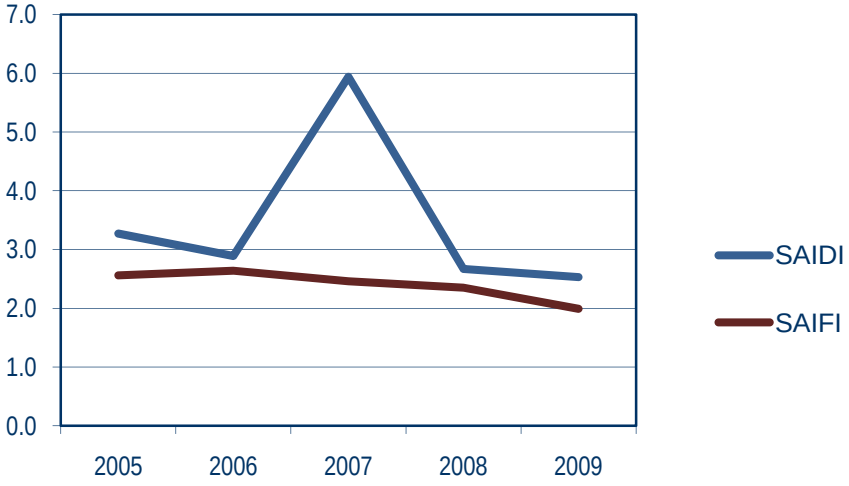
System Reliability [1]	Annual		
	Actual 2009	Plan 2009	Actual 2008
Customer Minutes of Outage [2]	35.0	37.6	36.3
SAIDI (Outage hours per customer)	2.53	2.74	2.67
SAIFI (Outages per customer)	1.99	2.37	2.35

[1] Excludes Hydro-related interruptions.
[2] In millions of minutes.

The electrical system continued to perform reliably to the end of the year.

The frequency and duration of outages in 2009 were better than plan. This continues the trend of improvement in reliability performance over the past five years. In 2007, outage duration results were impacted by the storm damage that occurred on the Bonavista Peninsula.

Unusually high winds in October were the cause of several outages, accounting for approximately 20% of the total customer minutes of outage during the year. Scheduled outages accounted for only 10% of the total customer minutes in the quarter.



Reliability performance 2005 - 2009

Significant unplanned power interruptions during the 4th quarter included:

1. *Oct 10th:* A faulted lightning arrestor affected service to 6,956 customers in the Mount Pearl area resulting in a total of 439,955 customer minutes of outage.
2. *Oct 17th:* A faulted underground cable affected service to 4,170 customers in the St. John's area resulting in a total of 557,116 customer minutes of outage.
3. *Nov 27th:* A broken pole affected service to 1,151 customers in the Deer Lake area resulting in a total of 419,555 customer minutes of outage.

B. Electricity Supply

Electricity Supply	4th Quarter			Annual	
	Actual 2009	Plan 2009	Actual 2008	Actual 2009	Plan 2009
Energy Purchased (GWh) [1]	1,443.5	1,387.5	1,374.6	5,187.9	5,130.6
Peak Demand (MW) [1, 2]	1,237.1	1,234.5	1,188.0	1,237.1	1,234.5
Hydro Plant Production (GWh)	132.9	118.1	100.3	426.7	425.9
Plant Availability (%)	96.8	95.5	92.8	96.9	95.5

[1] Weather adjusted.

[2] Peak demand for the 2008/2009 winter period occurred on January 27th, 2009 at 8:45 a.m.

Energy purchased was 56.0 GWh higher than plan for the quarter and 57.3 GWh higher than plan for the year. This reflects higher than expected energy sales.

During the 4th quarter, hydro plant production was 14.8 GWh higher than plan. The higher energy production reflects higher than normal water inflows for the quarter.

Hydro plant availability was 96.8 percent in the 4th quarter compared to a plan of 95.5 percent. There were 53 forced outages in the quarter, comparable to the 59 experienced in the 4th quarter of 2008. The total number of forced outages in 2009 was 168, compared to 255 during 2008.

4. Financial Matters

	4th Quarter			Annual	
	Actual 2009	Plan 2009	Actual 2008	Actual 2009	Plan 2009
Revenue ($millions) [1]	146.5	139.7	139.0	527.2	520.1
Purchased Power Costs ($millions) [1]	99.3	94.4	94.2	345.7	340.6
Operating Costs ($millions) [2]	12.9	12.6	12.1	49.3	49.1
Operating Cost per Customer ($)	214	215	208	214	215
Earnings ($millions) [3]	8.6	8.0	7.9	32.6	32.8

[1] Weather adjusted.
[2] Excluding pension and early retirement program costs.
[3] Earnings applicable to common shares.

Financial Results

Revenue and purchased power costs were higher than plan, primarily as a result of higher than expected sales. Electricity sales in 2009 increased by 1.7% compared to 2008. This principally reflects the increase in the number of customers served.

Operating costs for the 4th quarter and for the year were consistent with plan. Operating cost per customer was consistent with plan in 2009, though higher than results in 2008. This primarily reflects an increase in costs related to energy conservation.

Earnings for the quarter are higher than plan, principally due to higher revenue from electricity sales. 2009 annual earnings were generally consistent with plan.

General Rate Application

On December 11th, the PUB issued its order in relation to the Company's 2010 General Rate Application.

The PUB approved an average customer rate increase of 3.5%, effective January 1st, 2010. This reflects an allowed return on equity of 9.0% for 2010. The PUB also ordered continued use of an Automatic Adjustment Formula for determining the appropriate cost of capital to be used in setting customer rates for 2011 and 2012. However, the PUB has also ordered that the Company may submit an application to seek changes to the automatic adjustment mechanism by March 15th, 2010.

The PUB did not approve the Company's proposal to adopt accrual accounting for other post-employment benefits (OPEBs) in 2010. Instead, the PUB ordered the Company to submit a comprehensive proposal for the adoption of accrual accounting as of January 1st, 2011.

The Company's proposal to create a deferral account for variances in defined benefit pension expense was approved by the PUB. This account will permit recovery of the Company's future pension expense.

International Financial Reporting Standards

The International Accounting Standards Board ("IASB") continued the special project on rate-regulated activities, with solicitation of comments on the Exposure Draft on Rate-Regulated Activities. Based on the Exposure Draft, regulatory assets and liabilities arising from activities subject to cost-of-service regulation can be recognized under IFRS when certain conditions are met. However, uncertainty will exist until the final standard on accounting for rate-regulated activities under IFRS is issued.

The current IASB project timeline indicates a final standard would be issued in the 2nd quarter of 2010. Adoption of IFRS in Canada is scheduled for 2011. The Company's progress on the transition to IFRS is on track.

5. Capital Program

2009 Capital Expenditures	Annual	
	Actual 2009	Plan 2009 [1]
Total ($millions)	70.0	64.7

[1] Plan includes $32,000 carryover for Fermeuse wind turbine project and $1,568,000 for Water Street underground civil work. Plan also includes the supplemental capital expenditure approvals associated with the remanufacture of a power transformer at Kenmount Substation, feeder improvements to accommodate the Vale Inco project in Long Harbour and repairs to the Seal Cove plant. Annual plan excludes the $750,000 allowance for unforeseen items.

2009 Capital Expenditures

Capital expenditures in 2009 were $70.0 million which was approximately $5.3 million above plan. This increase is primarily due to higher than expected expenditures in the Distribution class. During 2009, there were 5,051 new customer connections. This was the highest annual number of new customer connections recorded since the 1980s, and 27% higher than the 2009 budget estimate of 3,962.

In 2009, the Company completed two material unforeseen capital projects. On March 17th, a turbine at Seal Cove hydroelectric plant was damaged when a piece of concrete entered the unit. Repairs were made to the turbine runner, bearings and shaft, and the unit was returned to service in November. On March 26th, a power transformer at Kenmount substation developed an internal fault as a result of a power system disturbance. This transformer was rebuilt and placed back in service in November.

New substation constructed at Rocky Pond plant

Major capital projects that were completed in the 4th quarter include:

- Refurbishment of the Horse Chops plant governor, protection and control systems and substation.
- Refurbishment of the Rocky Pond plant governor, generator, penstock and substation.
- Refurbishment and modernization of King's Bridge Substation in St. John's.

2010 Capital Budget

The Company's $64.7 million 2010 capital budget was approved by the PUB on November 4th.

6. Safety & Environment

A. Safety

Safety Performance	Annual		
	Actual 2009	Plan 2009	Actual 2008
Injury Frequency Rate [1]	1.2	2.2 [2]	2.7

[1] Injuries per 200,000 hours worked.
[2] Based on a 10% improvement over the three-year average from 2006 to 2008.

Safety Performance

In the fourth quarter, there were three lost-time injuries and no medical-aid injuries. For the year, the Company recorded a total of five lost-time and two medical-aid injuries. This resulted in an all-injury frequency rate of 1.2 which is the lowest injury frequency rate in the Company's recorded history. There was a total of 86 calendar days of lost time due to injury in 2009 which compares to 453 days lost in 2008.

There were nine preventable vehicle accidents during the fourth quarter, bringing the annual total to 22 compared to 21 in 2008. Fourteen of the accidents in 2009 occurred while the vehicle was reversing.

Health & Safety Audit

An audit of the Company's Health & Safety Management System (HSMS) was conducted in the fourth quarter. The audit confirmed that the Company remains compliant with the OHSAS 18001 standard and that the HSMS is operating as intended. Several opportunities for improvement were identified in the areas of safety training, job safety planning and emergency response planning.

OH&S Regulation

As a result of an inspection conducted on a Company pole installation contractor by Occupational Health & Safety (OH&S) on October 29th, the Company was issued an officer's report noting several areas of concern. While no orders were issued as a result of the inspection, the Company initiated a meeting with OH&S officials to clarify the concerns.

On November 25th, OH&S issued an order to the Company stemming from an incident on November 18th involving a street light pole crew working under contract for the Company. In the incident, the contractor's backhoe dug into a 7,200 volt underground cable resulting in a power interruption. There were no injuries. An investigation report with recommendations and corrective actions was provided to OH&S.

On December 23rd, an OH&S officer requested that the Company provide follow-up information regarding an inspection carried out by the RCMP on a contractor pole installation crew in Traytown. The inspection identified possible violations of the OH&S Regulations regarding blasting requirements. All blasting operations by the contractor were suspended by the Company pending investigation of the reported deficiencies.

On December 23rd, an incident occurred in St John's in which a Power Line Technician (PLT) fell from a ladder while installing a service wire on a customer's premises. This incident did not result in injury to the PLT; however, the Company notified OH&S and an investigation report was completed.

Safety Training Programs

High voltage rubber glove training was provided to ten PLT Apprentices during November. This week-long training program prepares the PLT Apprentices to safely perform work on energized high voltage lines up to 25 kilovolts. Until they attain Journeyperson status, PLTs must work under the continuous and direct supervision of a Journeyperson at all times.

A new computer-based Safety & Environmental Awareness training program was developed in the fourth quarter. It will provide an additional training option, along with the existing classroom training format.

Peter Feehan and Bob Dillon discuss personal protective equipment

Public Safety Initiatives

There were seven public contacts with power lines during the quarter. Six of these contacts involved construction equipment hooking or digging into low voltage service wires. None of these incidents resulted in injuries to the public.

Public safety education continued during the quarter and through 2009. In all, three thousand students from 57 elementary schools in the Company's service area participated in electrical safety presentations. Over two hundred volunteer fire fighters representing 12 fire departments attended the Company's *Fire Fighting and Electricity* seminar. Radio, television and print media were used for public electrical safety awareness advertising, including topics related to vandalism, fire safety, tree cutting and holiday safety. Company safety officials also met with counterparts from Bell Aliant and Rogers Cable to initiate sharing of relevant safety related information between these organizations and their contractors.

Safety Milestones

Two employee groups achieved significant safety milestones during the 4th quarter. On November 14th, the Electrical Engineering department marked three years without a lost-time injury. On December 1st, Clarenville area employees reached a one year lost-time injury free milestone.

B. Environment

Environment Performance	Annual	
	Actual 2009	Actual 2008
Number of Spills	76	55
Reportable PCB spills [1]	1	1
Volume of Oil Spills (Litres)	1,299	729

[1] PCB spills must be reported if any of the following conditions exist:

- All PCB spills that have a concentration of 50 ppm PCBs or more.
- All PCB spills that exceed the one gram rule.
- All oil spills of equipment in storage / inventory (not in use) that exceed a concentration of 2 ppm PCBs regardless of quantity.

Environment Performance

Both the number and volume of spills increased in 2009 as compared to 2008. In 2009, there were 76 spills compared to 55 in 2008. Approximately 75 per cent, or 57 spills, in 2009 were minor spills with volumes less than 10 litres.

The 2009 total volume of spills was 1,299 litres compared to 729 litres in 2008. A single mineral oil spill of 519 litres, which occurred at Holy Spirit School in Torbay in the 1st quarter, accounted for 40 per cent of the total volume of spills in 2009.

Environmental Management System Audit

The annual Environmental Management System (EMS) audit was conducted between September 28th and October 9th 2009. The audit confirmed the Company's continued compliance with the ISO 14001 standard and that the EMS has been properly implemented and maintained.

Training Programs

During the 4th quarter of 2009, environmental training was provided to 83 contractor employees that perform work on behalf of the Company. A total of 488 contractor employees were trained during the year.

Environment Regulation

The Company was issued a warning for a violation of the Fisheries Act on November 3, 2009. The warning resulted from an observation by the Department of Fisheries and Oceans (DFO) on November 18th, 2008 at the Rattling Brook hydro plant. The warning noted that approximately 350 meters of streambed downstream of the plant had low water levels, and indicated that even short periods at this water level can cause fish mortality and endanger eggs. The warning was unexpected as Rattling Brook plant has operated in this manner without incident since its commissioning in 1958. As a result of meetings with DFO representatives, the Company has changed its operating practices and has agreed to contact DFO when plant operations may reduce water levels in the streambed.

On December 4th, 2009, the Company filed two applications pursuant to the federal PCB Regulations seeking an end-of-use extension to December 31st, 2014; one for all oil filled electrical equipment with known PCB concentration levels of 500mg/kg, and the other for equipment in which concentration levels are unknown. The applications concern insulated connections on substation transformers and breakers. These connections, or bushings, contain low volumes of insulating oils, usually one litre or less. This application is a temporary measure in response to the new PCB Regulations which come into effect in 2010. Other Canadian utilities are making similar applications for extensions. It is the Company's current expectation that the regulations will soon be amended to allow continued use of such equipment in substations beyond 2014.

7. Community

The Power of Life Project

Our employees and customers continue to support cancer care in our province by donating to our corporate charity, *The Power of Life Project*.

Grand Falls-Windsor Hard Hat Drive

In the past quarter, employees across the island organized events such as golf tournaments, a ski-doo auction, hard hat drive, Christmas breakfasts and dinners, bake sales and ticket sweeps, which raised approximately $34,000 for cancer care.

Partners for Life

In December, we once again achieved our annual corporate pledge of 300 blood donations, the second highest of any corporate partner in Atlantic Canada. Since joining the *Partners for Life Program* in 2004 we have made over 1,700 donations, helping to save up to 5,100 lives.

CIBC Run for the Cure

On Sunday, October 4th, 40 employees and family members participated in the annual *CIBC Run for the Cure* in support of breast cancer research. Proudly walking or running in our Team Newfoundland Power shirts, we raised over $3,000 in support of family, friends and co-workers who have been affected by this disease.

Christmas Parades

Our employees, retirees and family members got into the holiday spirit at Christmas parades across the island in November and early December.

In St. John's, employees and family members walked the parade route collecting donations for the Community Food Sharing Association. Donations included approximately $12,000 cash, as well as over 20,000 pounds of food valued at more than $40,000. Through participation in this event over the past eleven years, we have collected approximately 196,000 pounds of food and over $82,000 to assist others during the holiday season.

Ralph Mugford shops for the Food Sharing Association at the St. John's Downtown Christmas Parade

In Gander, employees also collected a pickup truck full of food for the Gander Food Bank.

FINANCIAL STATEMENTS

NEWFOUNDLAND POWER INC.
BALANCE SHEETS
As At December 31
($000s)

	2009	2008 [1]
Capital Assets		
Property plant and equipment	1,230,371	1,181,433
Less: accumulated depreciation	443,153	422,621
	787,218	758,812
Current Assets		
Cash	5,308	619
Accounts receivable	64,553	63,508
Income tax receivable	4,194	-
Materials and supplies	934	1,016
Prepaid Expenses	1,376	1,292
Regulatory assets	11,023	9,426
	87,388	75,861
Accrued Pension and Other	97,840	93,273
Regulatory Assets	197,783	55,988
Intangible Assets, net of amortization	16,113	16,145
Customer Finance Plans	1,679	1,776
Total Assets	**1,188,021**	**1,001,855**
Shareholders' Equity		
Common shares	70,321	70,321
Retained earnings	310,864	303,417
Common shareholder's equity	381,185	373,738
Preference shares	9,111	9,352
	390,296	383,090
Current Liabilities		
Accounts payable and accrued charges	65,727	65,548
Income tax payable	-	7,633
Current portion of long-term debt	5,200	4,550
Future income taxes	1,068	-
Regulatory liabilities	9,374	6,428
	81,369	84,159
Future Income Taxes	122,426	1,184
Long-term Debt	474,050	433,604
Other Liabilities	50,673	45,001
Regulatory Liabilites	69,207	54,817
Total Shareholders' Equity and Liabilities	**1,188,021**	**1,001,855**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS
For The Periods Ended December 31
($000s)

	FOURTH QUARTER			ANNUAL		
	Actual 2009	Plan 2009 [1]	Actual 2008	Actual 2009	Plan 2009 [1]	Actual 2008
Revenue	146,506	139,701	138,992	527,179	520,084	516,889
Purchased Power	99,280	94,378	94,245	345,656	340,582	336,658
Contribution	47,226	45,323	44,747	181,523	179,502	180,231
Operating Expenses	12,939	12,599	12,059	49,315	49,122	47,132
Pension Costs	381	198	434	1,545	771	1,912
Early Retirement Program Costs	282	-	282	1,128	-	1,128
Depreciation	10,891	10,824	10,250	41,825	41,639	40,649
Regulatory Deferral	965	962	965	3,862	3,860	3,862
Finance Charges	8,787	8,526	8,108	34,555	34,230	33,507
Income Before Income Taxes	12,981	12,214	12,649	49,293	49,880	52,041
Income Taxes	4,200	4,024	4,591	16,092	16,466	19,146
Net Earnings	8,781	8,190	8,058	33,201	33,414	32,895
Dividends on Preference Shares	141	146	147	573	586	554
Earnings Applicable to Common Shares	**8,640**	**8,044**	**7,911**	**32,628**	**32,828**	**32,341**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF RETAINED EARNINGS
For The Years Ended December 31
($000s)

	2009	2008
Balance, Beginning of the Year	303,417	286,350
Net Earnings	33,201	32,895
Dividends		
Preference Shares	(573)	(554)
Common Shares	(25,181)	(15,274)
Balance, End of the Year	**310,864**	**303,417**

NEWFOUNDLAND POWER INC.
STATEMENTS OF CASHFLOWS
For The Years Ended December 31
($000s)

	2009	2008 [1]
Cash From (Used In) Operating Activities		
Net earnings	33,201	32,895
Items not affecting cash:		
Amortization of property, plant and equipment	38,935	37,547
Amortization of intangible assets and other	3,162	3,400
Change in regulatory assets and liabilities	691	305
Future income taxes	502	1,184
Employee future benefits	(4,416)	(4,471)
Change in non-cash working capital	(12,695)	14,191
	59,380	85,051
Cash From (Used In) Investing Activities		
Capital expenditures (net of salvage)	(71,267)	(64,959)
Intangible asset expenditures	(2,808)	(2,374)
Contibutions from customers	4,575	3,054
Other	(107)	208
	(69,607)	(64,071)
Cash From (Used In) Financing Activities		
Net proceeds (repayment) of committed credit facility	(18,500)	(1,000)
Proceeds from long-term debt	65,000	-
Repayment of long-term debt	(5,200)	(4,550)
Proceeds from related party loan	-	32,500
Repayment of related party loan	-	(32,500)
Payment of debt financing costs	(389)	(50)
Redemption of preference shares	(241)	-
Dividends		
Preference shares	(573)	(554)
Common shares	(25,181)	(15,274)
	14,916	(21,428)
Increase (Decrease) in Cash	4,689	(448)
Cash, Beginning of the Year	619	1,067
Cash, End of the Year	**5,308**	**619**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

APPENDICES

NEWFOUNDLAND POWER INC.
ELECTRICITY STATISTICS
For The Periods Ended December 31

	FOURTH QUARTER		ANNUAL	
	2009	**2008**	**2009**	**2008**
Sales (GWh)				
Actual	1,480.2	1,348.9	5,227.5	5,115.2
Weather adjusted	1,473.9	1,412.2	5,299.0	5,208.2
Plan[1]	1,420.0		5,244.5	
Produced & Purchased (GWh)				
Actual	1,568.2	1,425.1	5,538.2	5,415.6
Weather adjusted	1,561.6	1,492.0	5,613.8	5,513.8
Plan[1]	1,504.9		5,556.4	
Hydro Production (GWh)				
Actual	132.9	100.3	426.7	454.3

[1] Based on Customer, Energy and Demand Forecast dated April 4, 2008.

NEWFOUNDLAND POWER INC.
STATEMENTS OF ELECTRICITY SOLD (GWh)
For The Periods Ended December 31

WEATHER ADJUSTED

	FOURTH QUARTER			ANNUAL		
BY SALES CATEGORY	**Actual 2009**	**Plan 2009**	**Actual 2008**	**Actual 2009**	**Plan 2009**	**Actual 2008**
Residential	923.4	876.3	882.2	3,203.3	3,135.2	3,130.3
Commercial						
0-10 kW	24.1	22.8	22.9	89.8	88.7	88.8
10-100 kW	169.5	171.3	165.6	640.9	657.3	641.8
110-1000 kVA	236.8	235.0	225.3	890.5	902.2	878.5
1000 kVA and Over	108.7	103.2	104.8	438.0	424.6	432.3
Total Commercial	539.1	532.3	518.6	2,059.2	2,072.8	2,041.4
Street Lighting	11.4	11.4	11.4	36.5	36.5	36.5
Total Calendar Basis Sales	**1,473.9**	**1,420.0**	**1,412.2**	**5,299.0**	**5,244.5**	**5,208.2**
BY REGION						
Eastern [1]	1,036.8	995.1	990.8	3,719.3	3,692.7	3,659.5
Western [2]	437.1	424.9	421.4	1,579.7	1,551.8	1,548.7
Total	**1,473.9**	**1,420.0**	**1,412.2**	**5,299.0**	**5,244.5**	**5,208.2**

[1] Eastern Region includes the St. John's, Avalon, Burin and Clarenville operating areas.
[2] Western Region includes the Gander, Grand Falls - Windsor, Corner Brook and Stephenville operating areas.

NEWFOUNDLAND POWER INC.
STATEMENTS OF REVENUE
For The Periods Ended December 31
($000s)

WEATHER ADJUSTED

BY SALES CATEGORY	FOURTH QUARTER Actual 2009	FOURTH QUARTER Plan [1] 2009	FOURTH QUARTER Actual 2008	ANNUAL Actual 2009	ANNUAL Plan [1] 2009	ANNUAL Actual 2008
Residential	87,955	83,825	84,318	309,360	303,405	302,916
Commercial						
0-10 kW	3,148	2,975	3,015	11,840	11,652	11,742
10-100 kW	17,007	17,076	16,466	63,318	64,699	63,129
110-1000 kVA	19,915	19,730	18,946	74,182	75,000	72,997
1000 kVA and Over	7,947	7,444	7,661	31,675	30,242	31,208
Total Commercial	48,017	47,225	46,088	181,015	181,593	179,076
Street Lighting	3,229	3,220	3,184	12,862	12,839	12,722
Forfeited Discounts	609	614	587	2,644	2,846	2,646
Revenue From Rates	**139,810**	**134,884**	**134,177**	**505,881**	**500,683**	**497,360**
Energy Supply Cost Variance [2]	2,071	242	(174)	2,878	1,004	(388)
2008 Tax Deferral [3]	-	-	-	-	-	(560)
Amortizations [4]						
2005 Unbilled Income Tax Settlement	-	-	648	-	-	2,592
2005 Unbilled Remaining Balance	1,153	1,153	1,154	4,618	4,618	4,618
Total Reported Revenue	**143,034**	**136,279**	**135,805**	**513,377**	**506,305**	**503,622**
Other Revenue	3,472	3,422	3,187	13,802	13,779	13,267
Total Operating Revenue	**146,506**	**139,701**	**138,992**	**527,179**	**520,084**	**516,889**

[1] Based on 2009 sales forecast dated April 4, 2008 and rates effective January 1, 2008 as approved by Orders No. P.U. 32(2007).
[2] Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).
[3] Disposition of balance in the Tax Deferral Account as approved in Order No. P.U. 10 (2008).
[4] Revenue amortizations as approved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
SUMMARY OF WEATHER ADJUSTMENTS
For The Periods Ended December 31
($000s)

	FOURTH QUARTER			ANNUAL		
REVENUE FROM ELECTRICITY SALES	**Actual 2009**	**Plan [1] 2009**	**Actual 2008**	**Actual 2009**	**Plan [1] 2009**	**Actual 2008**
Actual	140,329	134,884	129,074	500,123	500,683	489,785
Degree Day & Wind Adjustment	(519)	-	5,103	5,758	-	7,575
Weather Adjusted	**139,810**	**134,884**	**134,177**	**505,881**	**500,683**	**497,360**
Energy Supply Cost Variance [2]	2,071	242	(174)	2,878	1,004	(388)
2008 Tax Deferral [3]	-	-	-	-	-	(560)
Amortizations [4]						
2005 Unbilled Income Tax Settlement	-	-	648	-	-	2,592
2005 Unbilled Remaining Balance	1,153	1,153	1,154	4,618	4,618	4,618
Total Reported Revenue	**143,034**	**136,279**	**135,805**	**513,377**	**506,305**	**503,622**
PURCHASED POWER EXPENSE						
Actual	98,096	93,871	87,814	336,954	338,572	321,557
Degree Day & Wind Adjustment	(584)	-	5,898	6,663	-	8,652
Hydro Equalization Adjustment	1,261	-	(217)	29	-	3,797
Purchase Power Weather Adjusted	**98,773**	**93,871**	**93,495**	**343,646**	**338,572**	**334,006**
Demand Management Incentive Account [5]	-	-	241	-	-	641
Amortizations [6]						
Rattling Brook Deferral	148	147	149	598	597	598
PPUCVR Balance at Dec 31, 2006	(166)	(166)	(173)	(688)	(688)	(688)
Weather Normalization Reserve	525	526	533	2,100	2,101	2,101
Total Purchase Power Expense	**99,280**	**94,378**	**94,245**	**345,656**	**340,582**	**336,658**

[1] Based on 2009 sales forecast dated April 4, 2008 and rates effective January 1, 2008 as approved by Orders No. P.U. 32(2007).
[2] Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).
[3] Disposition of balance in the Tax Deferral Account as approved in Order No. P.U. 10 (2008).
[4] Revenue amortizations as approved in Order No. P.U. 32(2007).
[5] Demand Management Incentive Account as approved in Order No. P.U. 32(2007).
[6] Amortizations for 2009 as approved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS - DETAIL
For The Periods Ended December 31
($000s)

	FOURTH QUARTER			ANNUAL		
	Actual 2009	Plan 2009	Actual 2008	Actual 2009	Plan 2009	Actual 2008
Other Revenue						
Joint Use Revenue						
Aliant	1,805	1,788	1,745	7,219	7,152	6,981
CATV	499	496	471	2,000	1,945	1,880
Total Joint Use Revenue	2,304	2,284	2,216	9,219	9,097	8,861
Miscellaneous						
Customer Jobbing	266	148	92	663	568	434
Rental Income	-	5	6	17	20	26
Municipal Tax Liability [1]	338	340	340	1,364	1,362	1,362
Interest - Customer Accounts	143	310	193	818	1,358	1,155
Interest - RSA	(36)	8	38	-	56	116
Interest - CIAC	26	26	28	107	100	108
Interest - Other	150	37	33	243	150	135
Reconnections	22	18	15	85	73	84
NSF Cheque Charges	8	4	8	34	20	38
Wheeling Charges	140	149	144	566	613	615
Miscellaneous	46	26	5	434	100	65
Service Connection Fees	65	67	69	252	262	268
Total Miscellaneous	1,168	1,138	971	4,583	4,682	4,406
Total Other Revenue	**3,472**	**3,422**	**3,187**	**13,802**	**13,779**	**13,267**
Finance Charges						
Interest on Long-term Debt	8,987	7,925	8,017	34,547	31,971	32,334
Interest on Long-term Committed Credit Facility	28	667	248	396	2,444	1,445
Interest on Short-term Uncommitted Demand Facility	-	-	2	7	-	11
Amortization of Deferred Debt Issue Costs	65	44	59	235	177	236
Amortization of Capital Stock Issue Costs	10	10	15	38	38	62
Interest on Security Deposits	1	-	7	8	-	37
Interest Charged to Construction	(304)	(120)	(240)	(676)	(400)	(618)
Total Finance Charges	**8,787**	**8,526**	**8,108**	**34,555**	**34,230**	**33,507**

[1] Amortization of the Municipal Tax Liability as approved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
CUSTOMER AND EMPLOYEE STATISTICS
As At December 31

	ANNUAL		
	Actual 2009	**Plan 2009**	**Actual 2008**
Customers	239,307	237,723	235,778
Employees [1]			
Regular	572	562	551
Temporary	72	76	77
Total	644	638	628

[1] Refers to full time equivalents.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY AREA
For The Periods Ended December 31

	SAIFI					SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR	QUARTER		12 MONTH TO DATE		5 YEAR
	2009	2008	2009	2008	TO DATE	2009	2008	2009	2008	TO DATE
AREA	#	#	#	#	# / YEAR	HOURS	HOURS	HOURS	HOURS	HRS. / YEAR
St. John's	0.74	0.69	2.18	2.35	2.33	0.85	0.70	2.15	1.99	2.25
Avalon	0.73	0.57	1.89	1.79	2.11	0.86	0.59	2.13	1.82	3.00
Burin	0.77	1.34	3.83	3.84	4.62	0.96	1.65	4.03	4.18	4.37
Bonavista	0.71	1.52	2.17	6.33	4.80	0.72	1.87	2.78	7.18	12.14
Gander	0.64	0.58	3.90	4.00	3.85	1.14	0.64	4.39	4.65	4.86
Grand Falls	0.67	1.31	2.97	2.46	2.85	1.68	1.84	3.73	3.25	3.83
Corner Brook	1.12	0.62	2.08	1.97	2.48	1.18	0.90	2.11	2.46	2.51
Stephenville	0.37	1.39	2.79	4.63	3.84	0.53	0.33	3.00	2.55	3.51
Company Totals	**0.74**	**0.84**	**2.46**	**2.84**	**2.86**	**0.95**	**0.90**	**2.66**	**2.80**	**3.58**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended December 31

ORIGIN	SAIFI QUARTER 2009 #	SAIFI QUARTER 2008 #	SAIFI 12 MONTH TO DATE 2009 #	SAIFI 12 MONTH TO DATE 2008 #	SAIFI 5 YEAR TO DATE # / YEAR
Loss of Supply (NF Hydro)	0.18	0.02	0.47	0.49	0.52
Transmission	0.12	0.24	0.59	0.82	0.80
Distribution	0.44	0.58	1.40	1.53	1.54
Company Totals	**0.74**	**0.84**	**2.46**	**2.84**	**2.86**

System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended December 31

ORIGIN	SAIDI QUARTER 2009 HOURS	SAIDI QUARTER 2008 HOURS	SAIDI 12 MONTH TO DATE 2009 HOURS	SAIDI 12 MONTH TO DATE 2008 HOURS	SAIDI 5 YEAR TO DATE HRS. / YEAR
Loss of Supply (NF Hydro)	0.06	0.02	0.12	0.13	0.22
Transmission	0.07	0.19	0.40	0.66	0.64
Distribution	0.82	0.69	2.14	2.01	2.72
Company Totals	**0.95**	**0.90**	**2.66**	**2.80**	**3.58**

System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BREAKDOWN REPORT
Fourth Quarter 2009

AREA	SCHEDULED		UNSCHEDULED		TOTAL	
	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS
St. John's	0.01	0.02	0.73	0.83	0.74	0.85
Avalon	0.06	0.14	0.67	0.72	0.73	0.86
Burin	0.33	0.28	0.44	0.68	0.77	0.96
Bonavista	0.51	0.25	0.20	0.47	0.71	0.72
Gander	0.03	0.04	0.61	1.10	0.64	1.14
Grand Falls	0.04	0.09	0.63	1.59	0.67	1.68
Corner Brook	0.21	0.31	0.91	0.87	1.12	1.18
Stephenville	0.01	0.03	0.36	0.50	0.37	0.53
Company Totals	**0.10**	**0.10**	**0.64**	**0.85**	**0.74**	**0.95**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.

CAPITAL EXPENDITURE PROGRESS REPORT

For the Period Ended December 31, 2009

Introduction

The Capital Expenditure Progress Report summarizes the quarterly and year-to-date capital expenditures of the various capital accounts of the Company and lists any new lease obligations in excess of $5,000 per year.

The report is divided into three sections:

1. The Budget section outlines the annual capital expenditure budget approved by the Public Utilities Board for the current year.

2. The Expenditure section outlines actual capital expenditures for the current quarter and the total actual capital expenditures for the year, and indicates any variance between the annual budget and actual expenditures.

3. The Leasing Arrangement section includes a brief description of the item being leased, the leasing period, and the annual and quarterly leasing costs.

NEWFOUNDLAND POWER INC.
CAPITAL EXPENDITURE PROGRESS REPORT
For the Period Ended December 31, 2009
($000s)

	BUDGET	EXPENDITURE [1]		
	Approved by Order No. P.U. 27(2008), P.U. 29(2009), P.U. 32(2009), P.U. 38(2009)	Fourth Quarter	Annual 2009	Variance
Generation Hydro	8,899	2,823	8,235	(664)
Generation Thermal	100	125	202	102
Substations	7,469	2,556	7,435	(34)
Transmission	4,507	1,136	4,520	13
Distribution	31,046	10,895	37,916	6,870
General Property	835	128	628	(207)
Transportation	2,255	127	2,087	(168)
Telecommunications	350	186	422	72
Information Systems	3,725	950	3,569	(156)
Unforeseen Items	1,835	708	1,049	(786)
General Expenses Capital	2,800	790	3,040	240
TOTAL	63,821	20,424	69,103	5,282

Leasing Arrangements Entered Into			
Brief Description	**Period**	**Annual Cost**	**Quarterly Payments**
	There were no lease obligations in excess of $5,000 annually entered into during the fourth quarter of 2009.		

[1] Excludes capital expenditures of approximately $934,000 related to prior years capital projects carried forward into 2009.

NEWFOUNDLAND POWER INC.

INTER-COMPANY TRANSACTIONS REPORT

For the Period Ended December 31, 2009

Introduction

The Inter-Company Transactions Report summarizes transactions between the Company and related corporations on a quarterly and year-to-date basis. The report itemizes the charges by type and distinguishes between regulated and non-regulated charges. The report also documents any contracts, agreements or loans between Newfoundland Power and any related corporation that were signed in the current quarter.

The report is divided into four sections as follows:

1. The first section aggregates charges from all related corporations and presents a summary, by charge type, for the current quarter and the same period last year, as well as comparable annual charges for the previous year.

2. The second section breaks down the charges ***from*** each individual related corporation and presents an itemized quarterly summary for the current year and the same period last year, as well as comparable annual charges for the previous year.

3. The third section breaks down the charges ***to*** each individual related corporation and presents an itemized quarterly summary for the current year and the same period last year, as well as comparable annual charges for the previous year.

4. The fourth section lists any contracts or agreements that were signed between the Company and any related corporation as well as any loans with related corporations. Loan information provided includes the amount of the loan, the date of borrowing and date of repayment, the interest rate, and total interest paid.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Summary of Charges
For the Period Ended December 31, 2009

Charges from Associated Companies

Regulated Charges	Fourth Quarter 2009	Fourth Quarter 2008	Annual 2009	Annual 2008
Trustee & Share Plan Costs	$ 12,000	$ 10,000	$ 42,000	$ 34,000
Hotel/Banquet Facilities	14,543	22,084	25,627	52,171
Staff Charges	-	-	12,000	-
Joint-use Pole Purchases	-	95,275	2,532	108,942
Miscellaneous	7,577	22,103	65,982	68,978
Sub-total	$ 34,120	$ 149,462	$ 148,141	$ 264,091

Non-Regulated Charges	Fourth Quarter 2009	Fourth Quarter 2008	Annual 2009	Annual 2008
Directors' Fees & Travel	$ 97,000	$ (50,000)	$ 226,000	$ 112,000
Annual & Quarterly Reports	7,000	5,000	91,000	96,000
Staff Charges	(79,000)	52,000	71,000	120,000
Miscellaneous	113,000	84,000	695,521	590,057
Sub-total	$ 138,000	$ 91,000	$ 1,083,521	$ 918,057
TOTAL	$ 172,120	$ 240,462	$ 1,231,662	$ 1,182,148

Charges to Associated Companies

	Fourth Quarter 2009	Fourth Quarter 2008	Annual 2009	Annual 2008
Printing & Stationery	$ 33	$ 235	$ 843	$ 1,216
Postage	4,913	4,693	20,689	19,907
Staff Charges	155,743	447,609	531,450	1,057,284
Staff Charges - Insurance	63,898	59,557	244,753	229,330
IS Charges	22,022	22,351	22,022	31,192
Pole Installations	11,513	4,804	23,599	19,295
Miscellaneous	5,960	105,000	41,697	154,799
TOTAL	$ 264,082	$ 644,249	$ 885,053	$ 1,513,023

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended December 31, 2009

	Fourth Quarter 2009			Fourth Quarter 2008		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.						
Directors' Fees & Travel	$ -	$ 97,000	$ 97,000	$ -	$ (50,000)	$ (50,000)
Annual & Quarterly Reports	-	7,000	7,000	-	5,000	5,000
Trustee & Share Plan Costs	12,000	-	12,000	10,000	-	10,000
Staff Charges	-	(79,000)	(79,000)	-	52,000	52,000
Joint-use Pole Purchases [1]	-	-	-	95,275	-	95,275
Miscellaneous	3,572	113,000	116,572	5,259	84,000	89,259
Total	$ 15,572	$ 138,000	$ 153,572	$ 110,534	$ 91,000	$ 201,534
Fortis Properties Corporation						
Staff Charges	$ -	$ -	$ -	$ -	$ -	$ -
Hotel/Banquet Facilities	14,543	-	14,543	22,084	-	22,084
Miscellaneous	1,503	-	1,503	-	-	-
Total	$ 16,046	$ -	$ 16,046	$ 22,084	$ -	$ 22,084
Maritime Electric Co. Ltd.						
Miscellaneous	$ 2,233	$ -	$ 2,233	$ 2,497	$ -	$ 2,497
Total	$ 2,233	$ -	$ 2,233	$ 2,497	$ -	$ 2,497
FortisOntario Inc.						
Miscellaneous	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -	$ -	$ -
FortisBC Inc.						
Miscellaneous	$ 269	$ -	$ 269	$ 14,347	$ -	$ 14,347
Total	$ 269	$ -	$ 269	$ 14,347	$ -	$ 14,347

[1] In 2008, charges from Fortis Inc. relating to Joint-use Pole Purchases were included in the Miscellaneous category.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended December 31, 2009

	Annual 2009			Annual 2008		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.						
Directors' Fees and Travel	$ -	$ 226,000	$ 226,000	$ -	$ 112,000	$ 112,000
Annual & Quarterly Reports	-	91,000	91,000	-	96,000	96,000
Trustee & Share Plan Costs	42,000	-	42,000	34,000	-	34,000
Staff Charges	-	71,000	71,000	-	120,000	120,000
Joint-use Pole Purchases [1]	2,532	-	2,532	108,942	-	108,942
Miscellaneous	35,862	695,521	731,383	27,783	590,057	617,840
Total	$ 80,394	$ 1,083,521	$ 1,163,915	$ 170,725	$ 918,057	$ 1,088,782
Fortis Properties Corporation						
Staff Charges	$ 12,000	$ -	$ 12,000	$ -	$ -	$ -
Hotel/Banquet Facilities	25,627	-	25,627	52,171	-	52,171
Miscellaneous	4,681	-	4,681	5,569	-	5,569
Total	$ 42,308	$ -	$ 42,308	$ 57,740	$ -	$ 57,740
Maritime Electric Co. Ltd.						
Miscellaneous	$ 8,977	$ -	$ 8,977	$ 2,497	$ -	$ 2,497
Total	$ 8,977	$ -	$ 8,977	$ 2,497	$ -	$ 2,497
FortisOntario Inc.						
Miscellaneous	$ -	$ -	$ -	$ 9,172	$ -	$ 9,172
Total	$ -	$ -	$ -	$ 9,172	$ -	$ 9,172
FortisBC Inc.						
Miscellaneous	$ 16,462	$ -	$ 16,462	$ 23,957	$ -	$ 23,957
Total	$ 16,462	$ -	$ 16,462	$ 23,957	$ -	$ 23,957

[1] In 2008, charges from Fortis Inc. relating to Joint-use Pole Purchases were included in the Miscellaneous category.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended December 31, 2009

	Fourth Quarter 2009	Fourth Quarter 2008	Annual 2009	Annual 2008
Fortis Inc. [1]				
Printing & Stationery	$ -	$ -	$ 129	$ 135
Postage	4,913	4,693	20,689	19,907
Staff Charges	112,027	73,772	327,534	324,686
Staff Charges - Insurance	26,484	23,597	173,887	148,679
IS Charges	277	277	277	8,971
Pole Installations	11,513	4,804	23,599	19,295
Miscellaneous	3,747	1,301	11,969	6,056
Total	$ 158,961	$ 108,444	$ 558,084	$ 527,729
Fortis Properties Corporation				
Printing & Stationery	$ 33	$ 235	$ 714	$ 1,081
Staff Charges - Insurance	1,784	14,459	13,517	26,905
IS Charges	4,432	4,432	4,432	4,432
Miscellaneous	2,000	3,561	4,691	6,301
Total	$ 8,249	$ 22,687	$ 23,354	$ 38,719
Maritime Electric Co. Ltd.				
Staff Charges	$ 791	$ 1,091	$ 1,932	$ 6,036
Staff Charges - Insurance	143	3,979	1,488	5,834
IS Charges	2,424	2,424	2,424	2,424
Miscellaneous	-	-	701	1,081
Total	$ 3,358	$ 7,494	$ 6,545	$ 15,375
FortisOntario Inc.				
Staff Charges - Insurance	$ 9,464	$ 3,358	$ 17,688	$ 4,638
IS Charges	2,424	2,424	2,424	2,424
Miscellaneous	-	-	273	850
Total	$ 11,888	$ 5,782	$ 20,385	$ 7,912
Fortis US Energy Corporation				
Staff Charges - Insurance	$ -	$ 2,424	$ -	$ 2,424
Total	$ -	$ 2,424	$ -	$ 2,424
Belize Electric Company Limited				
Staff Charges	$ 19,410	$ 15,260	$ 86,581	$ 89,390
Staff Charges - Insurance	6,961	1,296	8,743	1,996
Total	$ 26,371	$ 16,556	$ 95,324	$ 91,386

[1] In prior reports, Fortis Inc. included charges to Terasen Gas Inc., Caribbean Utilities Co. Limited, and Fortis Turks and Caicos. Charges to these companies are now shown separately in the report. As result of this change charges to Fortis Inc. in 2008 have been restated.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended December 31, 2009

	Fourth Quarter 2009	Fourth Quarter 2008	Annual 2009	Annual 2008
Belize Electricity Limited				
Staff Charges	$ 10,143	$ -	$ 11,424	$ 23,173
Staff Charges - Insurance	5,898	108	8,436	661
IS Charges	4,155	4,155	4,155	4,240
Miscellaneous	107	3,829	4,863	19,564
Total	$ 20,303	$ 8,092	$ 28,878	$ 47,638
FortisAlberta Inc.				
Staff Charges	$ -	$ 60,258	$ -	$ 152,837
Staff Charges - Insurance	810	3,168	3,456	7,361
IS Charges	-	329	-	391
Miscellaneous	-	2,729	3,441	18,180
Total	$ 810	$ 66,484	$ 6,897	$ 178,769
FortisBC Inc.				
Staff Charges - Insurance	$ 594	$ 2,968	$ 1,620	$ 9,344
IS Charges	8,310	8,310	8,310	8,310
Miscellaneous	(89)	-	2,203	3,362
Total	$ 8,815	$ 11,278	$ 12,133	$ 21,016
Terasen Gas Inc.				
Staff Charges	$ -	$ -	$ -	$ 216
Staff Charges - Insurance	378	2,328	1,296	12,485
Miscellaneous	130	-	6,425	134
Total	$ 508	$ 2,328	$ 7,721	$ 12,835
Caribbean Utilities Co. Limited				
Staff Charges	$ -	$ -	$ 888	$ -
Staff Charges - Insurance	6,243	306	6,837	1,167
Miscellaneous	-	-	101	81
Total	$ 6,243	$ 306	$ 7,826	$ 1,248
Fortis Turks and Caicos				
Staff Charges	$ 13,372	$ 297,228	$ 103,091	$ 460,946
Staff Charges - Insurance	5,139	1,566	7,785	7,836
Miscellaneous	65	93,580	7,030	99,190
Total	$ 18,576	$ 392,374	$ 117,906	$ 567,972

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Agreements With Associated Companies
For the Period Ended December 31, 2009

No loans or agreements with related companies were entered into during the quarter ending December 31, 2009.

NEWFOUNDLAND POWER INC.

CUSTOMER PROPERTY DAMAGE CLAIMS REPORT

For the Quarter Ending December 31, 2009

Introduction

The Customer Property Damage Claims Report contains an overview of all damage claims activity summarized on a quarterly basis. The information contained in the report is broken down by cause as well as by the operating region where the claims originated.

The report is divided into four sections as follows:

1. The first section indicates the number of claims received during the quarter coupled with claims outstanding from the previous quarter.

2. The second section shows the number of claims for which the Company has accepted responsibility and the amount paid to claimants versus the amount originally claimed.

3. The third section shows the number of claims rejected and the dollar value associated with those claims.

4. The fourth section indicates those claims that remain outstanding at the end of the current quarter and the dollar value associated with such claims.

Overview - Fourth Quarter

The number of damage claims received during the fourth quarter of 2009 has increased in comparison to the number reported for the same period in 2008. The increase is found primarily in the Equipment Failure category in Eastern Region.

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Cause

For the Quarter Ending December 31, 2009

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	-	1	1	-	$ -	$ -	-	$ -	1	$ 1,000
Power Interruptions	-	-	-	-	-	-	-	-	-	-
Improper Workmanship	8	1	9	6	7,714	3,177	-	-	3	7,800
Weather Related	1	-	1	-	-	-	-	-	1	5,000
Equipment Failure	33	8	41	27	48,576	23,463	-	-	14	17,715
Third Party	1	-	1	1	315	315	-	-	-	-
Miscellaneous	14	5	19	14	43,095	7,965	-	-	5	3,300
Total	**57**	**15**	**72**	**48**	**$ 99,700**	**$ 34,920**	**-**	**$ -**	**24**	**$ 34,815**

For the Quarter Ending December 31, 2008

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	1	-	1	1	$ 1,600	$ 200	-	$ -	-	$ -
Power Interruptions	-	-	-	-	-	-	-	-	-	-
Improper Workmanship	4	4	8	7	39,819	29,004	-	-	1	8,500
Weather Related	-	-	-	-	-	-	-	-	-	-
Equipment Failure	21	3	24	16	19,107	13,060	-	-	8	6,425
Third Party	1	1	2	1	1,600	473	-	-	1	500
Miscellaneous	10	-	10	8	5,519	4,164	-	-	2	3,050
Total	**37**	**8**	**45**	**33**	**$ 67,645**	**$ 46,901**	**-**	**$ -**	**12**	**$ 18,475**

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Region

For the Quarter Ending December 31, 2009

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	39	12	51	32	$ 85,619	$ 23,134	-	$ -	19	$ 31,615
Western Region	18	3	21	16	14,081	11,786	-	-	5	3,200
Total	**57**	**15**	**72**	**48**	**$ 99,700**	**$ 34,920**	**-**	**$ -**	**24**	**$ 34,815**

For the Quarter Ending December 31, 2008

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	21	6	27	21	$ 53,982	$ 35,796	-	$ -	6	$ 15,200
Western Region	16	2	18	12	13,663	11,105	-	-	6	3,275
Total	**37**	**8**	**45**	**33**	**$ 67,645**	**$ 46,901**	**-**	**$ -**	**12**	**$ 18,475**

Definitions of Causes of Damage Claims

1. **System Operations:** Claims arising from system operations. Examples include normal reclosing or switching.

2. **Power Interruptions:** Claims arising from interruption of power supply. Examples include all scheduled or unscheduled interruptions.

3. **Improper Workmanship:** Claims arising from failure of electrical equipment caused by improper workmanship or methods. Examples include improper crimping of connections, insufficient sealing and taping of connections, improper maintenance, inadequate clearance, or improper operation of equipment.

4. **Weather Related:** Claims arising from weather conditions. Examples include wind, rain, ice, lightning, or corrosion caused by weather.

5. **Equipment Failure:** Claims arising from failure of electrical equipment not caused by improper workmanship. Examples include broken neutrals, broken tie wires, transformer failure, insulator failure or broken service wire.

6. **Third Party:** Claims arising from equipment failure caused by acts of third parties. Examples include motor vehicle accidents and vandalism.

7. **Miscellaneous:** All claims not related to electrical service.

NEWFOUNDLAND POWER INC.

CONTRIBUTION IN AID OF CONSTRUCTION
QUARTERLY ACTIVITY REPORT

For the Period Ended December 31, 2009

The table below summarizes Contribution In Aid of Construction (CIAC) activity for the fourth quarter of 2009. The table is divided into three sections. The first section identifies the type of service for which a CIAC has been calculated. Services are categorized as Domestic (located within a Residential Planning Area), Domestic (located outside a Residential Planning Area) or General Service.

The second section indicates the number of CIACs quoted during the quarter as well as the number of CIAC quotes that remained outstanding at the end of the previous quarter. This format facilitates a reconciliation of the total number of CIACs that were active during the quarter.

The third section provides information as to the disposition of the total CIACs quoted. A CIAC is considered Accepted when a customer indicates they wish to proceed with construction of the extension and has agreed to pay any charge that may be applicable. A CIAC is considered Outdated after six months has elapsed and the customer has not indicated their intention to proceed with the extension. A quoted CIAC is Outstanding if it is neither Accepted nor Outdated.

Type of Service	CIACs Quoted	CIACs Outstanding Previous Qtr.	Total CIACs Quoted	CIACs Accepted	CIACs Outdated	Total CIACs Outstanding
Domestic						
- Within Planning Area	23	9	32	15	5	12
- Outside Planning Area	32	26	58	31	10	17
	55	35	90	46	15	29
General Service	17	11	28	17	4	7
Total	72	46	118	63	19	36

The tables on Pages 2 to 3 of the report provide specific information for the 72 CIACs quoted to customers during the period October 1, 2009 to December 31, 2009. Both the CIAC Amount and the Estimated Construction Costs exclude HST.

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Fourth Quarter 2009

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (within Residential Planning Area)				
2-Oct-09	2009-10-149	4,250.00	6,375.00	
2-Oct-09	2009-20-194	3,225.00	5,350.00	Yes
2-Oct-09	2009-20-197	475.00	2,600.00	Yes
9-Oct-09	2009-30-110	2,175.00	6,925.00	Yes
9-Oct-09	2009-30-111	900.00	3,025.00	
9-Oct-09	2009-20-203	1,075.00	3,200.00	Yes
21-Oct-09	2009-20-207	17,898.15	20,023.15	
22-Oct-09	2009-31-112	6,575.00	10,825.00	
23-Oct-09	2009-20-208	3,000.00	5,125.00	Yes
28-Oct-09	2009-51-113	1,925.00	4,050.00	Yes
2-Nov-09	2009-41-117	1,600.00	3,725.00	Yes
4-Nov-09	2009-51-124	12,100.00	14,225.00	Yes
4-Nov-09	2009-30-112	1,750.00	4,375.00	
9-Nov-09	2009-51-126	1,201.75	3,326.75	Yes
12-Nov-09	2009-20-215	1,008.00	3,133.00	Yes
25-Nov-09	2009-41-123	925.00	3,050.00	Yes
2-Dec-09	2009-40-137	8,025.00	10,150.00	
3-Dec-09	2009-40-138	5,429.36	8,379.36	
8-Dec-09	2009-30-116	425.00	2,550.00	
9-Dec-09	2009-10-179	650.00	2,775.00	Yes
15-Dec-09	2009-20-226	425.00	2,550.00	Yes
17-Dec-09	2009-20-223	7,925.00	10,050.00	
18-Dec-09	2009-51-128	3,000.00	5,125.00	
DOMESTIC (outside Residential Planning Area)				
1-Oct-09	2009-31-111	8,700.00	10,825.00	Yes
2-Oct-09	2009-40-129	5,050.00	5,675.00	Yes
2-Oct-09	2009-20-198	3,037.50	7,325.00	Yes
7-Oct-09	2009-50-123	2,177.51	2,802.51	Yes
7-Oct-09	2009-50-125	2,961.54	3,586.54	Yes
9-Oct-09	2009-20-200	2,102.30	2,727.30	
9-Oct-09	2009-20-199	2,426.00	3,051.00	Yes
9-Oct-09	2009-20-202	4,331.37	4,956.37	
13-Oct-09	2009-10-169	1,975.00	2,600.00	Yes
16-Oct-09	2009-50-126	2,961.54	3,586.54	
19-Oct-09	2009-20-205	2,102.30	2,727.30	Yes
21-Oct-09	2009-10-172	36,516.75	48,891.75	Yes
21-Oct-09	2009-20-210	350.00	975.00	Yes
21-Oct-09	2009-20-209	2,102.30	2,727.30	Yes
26-Oct-09	2009-10-150	3,688.75	4,313.75	

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Fourth Quarter 2009

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (outside Residential Planning Area)				
27-Oct-09	2009-40-131	3,318.18	3,943.18	
28-Oct-09	2009-51-125	1,421.01	2,046.01	Yes
2-Nov-09	2009-50-114	37,637.50	38,262.50	Yes
2-Nov-09	2009-50-127	1,000.00	1,625.00	Yes
4-Nov-09	2009-40-134	4,750.00	5,375.00	Yes
4-Nov-09	2009-30-113	18,096.00	20,596.00	
10-Nov-09	2009-20-213	1,250.00	1,875.00	Yes
12-Nov-09	2009-20-206	2,609.50	5,177.00	
23-Nov-09	2009-40-136	3,280.73	3,905.73	Yes
24-Nov-09	2009-41-124	35,316.25	38,441.25	
24-Nov-09	2009-41-122	1,040.60	1,665.60	
27-Nov-09	2009-20-221	650.00	1,275.00	Yes
27-Nov-09	2009-20-220	2,102.30	2,727.30	Yes
2-Dec-09	2009-10-180	2,149.14	2,774.14	Yes
9-Dec-09	2009-20-224	4,331.37	4,956.37	Yes
9-Dec-09	2009-20-222	2,807.82	3,432.82	Yes
18-Dec-09	2009-40-139	1,225.00	2,850.00	Yes
GENERAL SERVICE				
6-Oct-09	2009-51-122	1,393.00	10,298.00	Yes
6-Oct-09	2009-51-123	1,450.00	4,925.00	
9-Oct-09	2009-30-103	5,293.00	12,107.00	Yes
16-Oct-09	2009-51-118	37,411.84	46,356.84	Yes
22-Oct-09	2009-20-201	297,643.00	310,118.00	
23-Oct-09	2009-20-211	950.00	3,075.00	Yes
23-Oct-09	2009-31-113	10,200.00	10,200.00	Yes
3-Nov-09	2009-10-176	1,690.75	9,480.00	Yes
12-Nov-09	2009-10-170	2,500.00	8,740.00	Yes
18-Nov-09	2009-41-121	20,731.00	25,606.00	Yes
18-Nov-09	2009-41-120	63,200.00	69,075.00	Yes
18-Nov-09	2009-31-114	37,982.00	45,296.00	Yes
24-Nov-09	2009-40-135	1,400.00	7,150.00	Yes
25-Nov-09	2009-30-115	2,600.00	4,725.00	Yes
25-Nov-09	2009-50-129	985.00	8,925.00	
27-Nov-09	2009-20-219	972.00	5,985.00	Yes
23-Dec-09	2009-50-130	8,802.40	11,595.00	

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
PO Box 8910
St. John's, Newfoundland
A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

April 1, 2010

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, Newfoundland A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies & Gentlemen:

Please find enclosed the original and twelve copies of Newfoundland Power Inc.'s Annual Report to the Board for 2009, filed pursuant to section 59(2) of the *Public Utilities Act*.

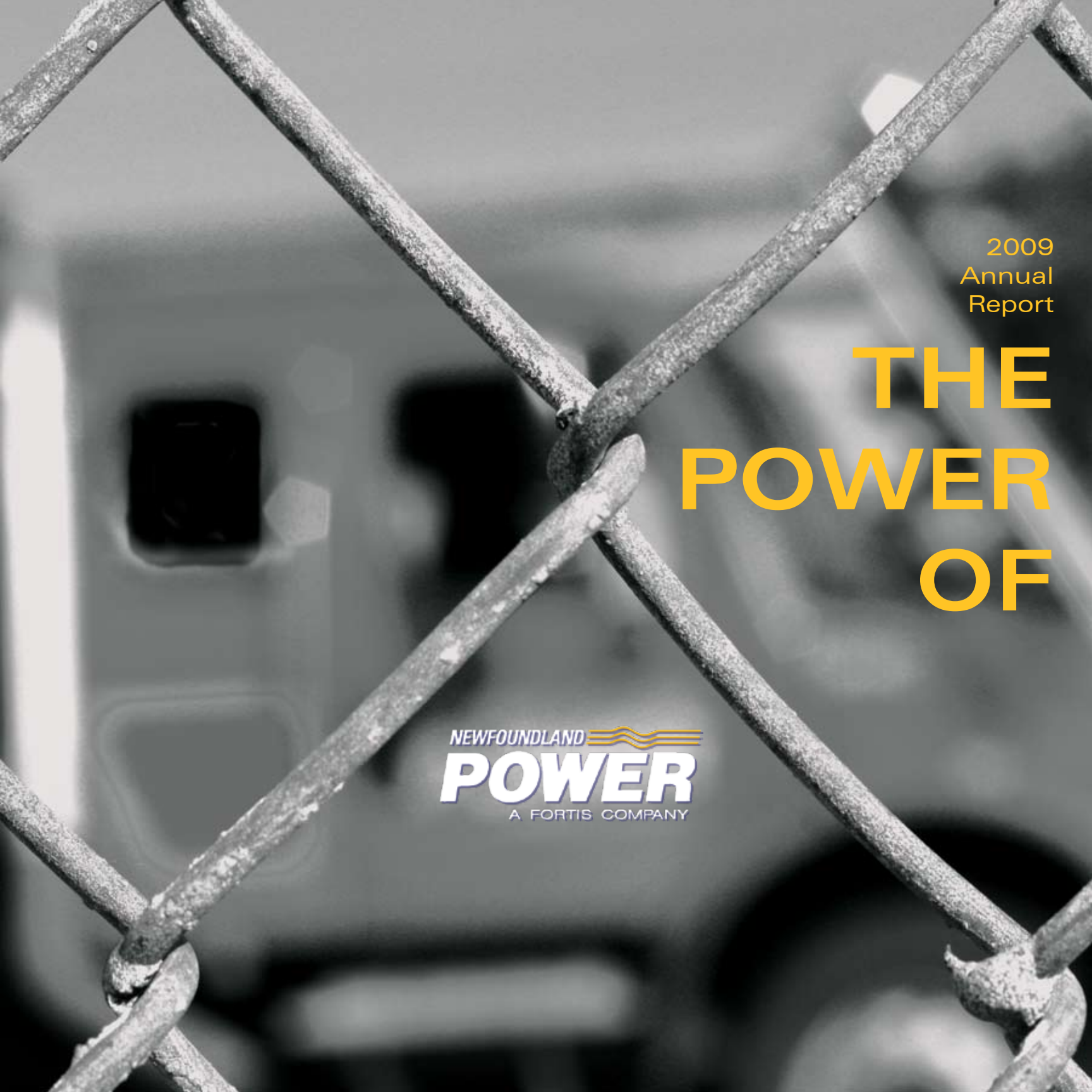
I trust the enclosed are found to be in order, however should you have any questions please contact the undersigned at the direct number noted below.

Yours very truly,

Gerard Hayes
Senior Counsel

Enclosures

c. Geoff Young
Newfoundland & Labrador Hydro



2009
Annual
Report

THE POWER OF

NEWFOUNDLAND POWER
A FORTIS COMPANY

Corporate Profile

Newfoundland Power Inc. ("Newfoundland Power") operates an integrated generation, transmission and distribution system throughout the island portion of Newfoundland and Labrador.

For over 120 years, we have provided customers with safe, reliable electricity in the most cost-efficient manner possible. Our Company serves over 239,000 customers, approximately 85% of all electricity consumers in the province.

Our employees continue to provide our customers with the service they expect and deserve in an environmentally and socially responsible manner.

Our vision is to be a leader among North American electric utilities in terms of safety, customer service, reliability and efficiency.

All the common shares of Newfoundland Power are owned by Fortis Inc. (TSX:FTS), the largest investor-owned distribution utility in Canada, which serves approximately 2,100,000 gas and electricity customers, and has assets exceeding $12 billion.

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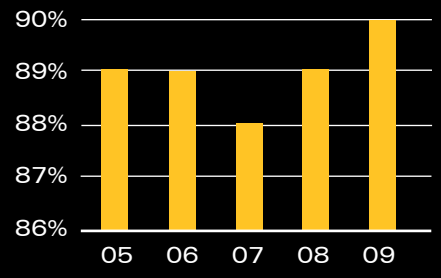
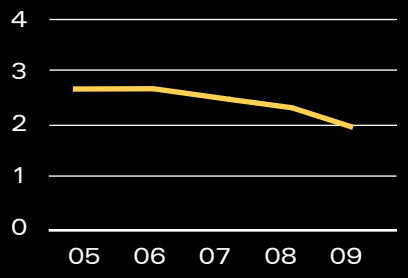
Highlights

Financial	2009	2008
Revenue *($000s)*	527,179	516,889
Property, Plant and Equipment *($000s)*	1,230,371	1,181,433
Long-term Debt *($000s)*	482,388	441,088
Common Shareholders' Equity *($000s)*	381,185	373,738
Earnings Applicable to Common Shares *($000s)*	32,628	32,341
Earnings per Common Share *($)*	3.16	3.13
Operating		
Customers *(#)*	239,307	235,778
Customer Satisfaction Rating *(%)*	90	89
Generating Capacity *(MW)*		
Hydroelectric	96.6	96.6
Diesel	7.0	7.0
Gas Turbine	36.5	36.5
Total	140.1	140.1
Peak Demand *(MW)*	1,219	1,181
Electricity Sales *(GWh)*	5,299	5,208

Customer Satisfaction Rating



Outages per Customer



take CHARGE!

Report to Shareholders

Throughout 2009, Newfoundland Power demonstrated the power of its commitment to customers. This resulted in a 90% overall customer satisfaction rating. Our strong connection with our customers and communities shows the improvements we have made across many aspects of our business are delivering results.

In 2009, we achieved our best year on record for the lowest number of safety incidents; continued to make strategic investments in our electricity system; maintained our strong level of reliability; and, increased our focus on energy efficiency. We did all of this while continuing to strengthen relationships with community partners.

Our earnings of $32.6 million in 2009 increased by $0.3 million over 2008. Electricity sales increased 1.7% to 5,299 gigawatt hours ("GWh") in 2009, and our number of customers grew 1.7% to over 239,000.

Newfoundland Power filed an application with the Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB") in 2009, to set electricity rates for 2010. Following a public hearing, the PUB approved an overall average increase of 3.5% in electricity rates, effective January 1, 2010. When combined with the 6.6% average decrease on July 1, 2009, electricity rates in January 2010 are, on average, lower than those in January 2009, with residential rates remaining the lowest in Atlantic Canada.

While our goal will always be zero accidents, in 2009 we recorded our least number of safety incidents in over 40 years. This was the result of a refocused employee commitment to putting safety first, supported by several corporate initiatives.

Early in the year we launched our *Safety…Live it!* theme to motivate employees to share in the responsibility of safety both on and off-the-job. Our new safety television advertisement helped to maximize awareness about electrical hazards among the general public. We responded to contractor contacts with electrical equipment with a new safety campaign called, *Know where the line is!* And, we partnered with safety conscious groups, such as the Newfoundland and Labrador Safety Construction Association, to prevent vandalism to our electricity system.

We take the responsibility of providing safe, reliable electricity to our customers at the lowest possible cost very seriously. In 2009, we allocated over 30% of our capital expenditures to connecting a record number of new customers, and over 60% to upgrading and modernizing components of the provincial electricity system. We spent approximately $4.5 million to upgrade transmission lines, including two on the Bonavista Peninsula, $5.2 million to replace the penstock at our Rocky Pond Hydroelectric Plant; and, $4.5 million to refurbish and modernize substations across the island. Such investments aided in reducing the number of outages experienced by our customers by 14% over 2008. In 2009, we delivered electricity to our customers 99.97% of the time.

POWER

We combined forces with Newfoundland and Labrador Hydro ("Hydro") to launch 4 takeCHARGE Energy Savers Rebate Programs. Our presence at community events combined with the strategic marketing of our takeCHARGE partnership, resulted in approximately 50,000 visits to *takechargenl.ca* and almost 2,000 participants in our rebate programs in 2009.

Energy efficiency also took on an increased focus at our 12th annual *EnviroFest* celebrations, held across the island. Attended by more than 5,500 people and over 300 community groups, our *EnviroFest* events highlight the importance of our environment for future generations. We have planted almost 2,000 trees as part of our *EnviroFestivities*, beautifying green spaces throughout the province.

When we work together, the impact on our communities and our province can be invaluable. In 2009, we raised over $165,000 for our corporate charity, *The Power of Life Project.* This was made possible by generous donations from our customers and employees, our annual corporate donation, and funds raised at employee-driven events. *The Project* helped to enhance cancer care in several areas of the province. We donated 5 chemotherapy chairs to the Cancer Centre Western Region, a blanket warmer to the Burin Cancer Centre, and presented the second $100,000 installment of our $350,000 commitment to the Dr. H. Bliss Murphy Cancer Centre Capital Campaign. To date, *The Project* has provided in excess of $1.5 million in monetary and in-kind donations to cancer care, with every dollar going to research, treatment and awareness initiatives in this province!

Since joining Canadian Blood Services' *Partners for Life* program in 2004, our employees and their families have made approximately 1,700 blood donations, helping to save up to 5,100 lives. In 2009, we were proud to be the highest donor of all corporate partners in Atlantic Canada.

We wish to thank our employees for offering their talents, hard work and commitment throughout the year. Our ability to achieve a record performance for safety, maintain a strong electricity system, increase our focus on energy efficiency, and provide our customers with customer service excellence is a credit to their valued contributions.

We express our sincerest appreciation for the Board of Directors continued support and direction. We also thank Mr. Chris Griffiths, who retired from our Board after 6 years of service, for his perspective and guidance.

It is the power of our people that continues to deliver results. Their unrelenting dedication to putting safety first, developing relationships with our customers, preserving our environment and serving our communities has shaped the way we do business. We are committed to continuing this proud tradition for many years to come!

Sincerely,

David Norris
Chair, Board of Directors

Earl Ludlow
President and Chief Executive Officer

DANGER
HIGH VOLTAGE
KEEP OUT

The Power of Safety

We are dedicated to the safety of our employees, contractors and the public. It is the foundation of our Company and our very top priority! The power of safety education and awareness remained an ongoing focus for the Company in 2009, resulting in our lowest number of safety incidents on record. This can be attributed to our employees' dedication to working safely, reinforced by streamlined work processes and several new safety initiatives.

Early in 2009, we launched an electronic safety application called PREVENT. This single access point for reporting and tracking incidents increased our ability to identify problem areas and take preventative action. We also strengthened employee participation in the health and safety process. This involved restructuring our Occupational Health and Safety Committees island-wide, and updating work methods used in the construction, operations, and maintenance of distribution and transmission lines.

An increased concentration on Meter Reader safety throughout the year resulted in significant improvements. For the first time in 5 years, there were no lost-time or medical-aid injuries involving the Meter Reading group.

We maximized the power of our safety messaging with targeted communications to key audiences in 2009. The launch of our internal campaign, *Safety…Live it!,* called upon our employees to share in the responsibility of safety at work and at home. Our *Know where the line is!* campaign targeted contractors with important messaging about working around electrical equipment. We reminded the public about electrical hazards with a new safety television advertisement. And, we partnered with Crime Stoppers to prevent acts of vandalism to our electricity system.

We continued our 25-year history of firefighter electrical safety seminars, educating over 240 firefighters. And, with the help of our retirees and employee volunteers, we were able to educate approximately 3,000 school children about electrical safety.

The successful completion of an external audit of our Health and Safety Management System in 2009, confirmed our continued compliance with the Occupational Health and Safety Assessment Series 18001 Health and Safety Management System international standards.

Our daily operations focus on a core set of values which have been largely shaped by our responsibility to our customers and our community. The most powerful of these values is, and always will be, SAFETY.

The Power of Reliability

Our ability to provide electricity to our customers in a safe and reliable manner is directly related to the quality and condition of our electricity system. Over the years, our electricity system has become increasingly stronger due to the strategic capital investments we have made throughout our service territory.

Over the past 5 years, we have invested in excess of $300 million in capital expenditures, including approximately $70 million in 2009. More than 60% of our 2009 capital spending involved upgrading and modernizing our electricity system. We allocated $4.5 million to upgrading transmission lines, including 2 on the Bonavista Peninsula, $5.2 million to replacing the penstock at our Rocky Pond Hydroelectric Plant, and $4.5 million to refurbishing and modernizing substations across the island.

Over 30% of our capital budget went to providing service to a record number of new customers in 2009. Throughout the year, we connected over 5,000 services, and our total number of customers grew to over 239,000.

2009 was our best year on record for the number and length of outages. We reduced the number of outages experienced by our customers by 14% compared to 2008, and delivered electricity to our customers 99.97% of the time. We will continue to make strategic investments in the future in order to maintain this level of integrity.

In 2010, we plan to invest approximately $65 million in capital projects, which will allow us to continue providing safe, reliable service to our customers at the lowest cost possible.

Investments that are focused on maintaining a strong electricity system will not only enable us to sustain our current level of RELIABILITY, but also help us to maintain the lowest electricity rates in Atlantic Canada!

The Power of Energy Efficiency

Promoting energy efficiency in Newfoundland and Labrador benefits our customers, our environment, and the Company! In 2009, we focused on assisting our customers to reduce the amount of energy they use in their homes and businesses, and save money.

We partnered with Hydro under our joint energy efficiency partnership, takeCHARGE – Saving Energy Starts Here!, to launch our takeCHARGE Energy Savers Rebate Programs. These programs provide our commercial customers with rebates on energy efficient lighting, and our residential customers with rebates on insulation, programmable and electronic thermostats, and ENERGY STAR® windows. We promoted the new takeCHARGE programs through traditional and social media, tradeshows, seminars at municipalities and customer conferences, and point-of-purchase booths at building supply stores throughout the province.

From November 14th – 20th, we celebrated the first ever takeCHARGE Energy Efficiency Week in Newfoundland and Labrador. Throughout the week, we talked one-on-one with customers in their homes and provided energy saving advice on a television series called *Winter Warm-Up*. This was supported by a customer contest and media campaign to increase awareness about energy efficiency.

These initiatives are expected to achieve 15 GWh of energy savings annually by 2013. This is the same as removing almost 1,400 electrically-heated homes from the province's electricity system.

By the end of 2009, almost 2,000 customers had taken advantage of our rebate programs, and close to 50,000 customers visited our energy efficiency website, *takechargenl.ca*.

Internal energy efficiency initiatives in 2009 involved completing energy audits at a number of our facilities, and installing energy efficient lighting in several of our buildings.

By encouraging our customers to be ENERGY EFFICIENT through our takeCHARGE partnership, we are giving them the power to save energy, save money and positively impact the future of our environment.

CUSTOMER SERVICE

The Power of Customer Service

We all work together to provide customer service excellence. It is rewarding to know that it is recognized by those who matter most, our customers. We attribute our 90% customer satisfaction rating to our employees' determination to provide the highest level of service every day.

Offering our customers choice can be very powerful. In 2009, we increased customer convenience by offering an alternative to how our customers choose to do business with us. Since introducing e-correspondence in the second quarter, over 25,000 customers have chosen email as their primary means of communication. We also installed new software in our Customer Contact Centre to help us manage and respond to this increase in electronic inquiries. The number of customers who opted to receive their electricity bills electronically also increased in 2009, growing by 20% over the previous year.

We continued to install automated meters in new developments throughout the island and where meter accessibility has been an issue. The ability to read these meters remotely has allowed us to address numerous safety issues and decreased our need to estimate bills. We currently have almost 19,000 of these meters in use across our service territory.

Enhancing our relationships with our customers has been a continued focus over the last several years. In 2009, we increased our participation at tradeshows around the province, and set up mall displays to meet and talk with our customers on a one-on-one basis.

Our strong customer satisfaction rating demonstrates the power of our employees' commitment to delivering the SERVICE EXCELLENCE our customers expect and deserve from us!

NEWFOUNDLAND
POWER
A FORTIS COMP

The Power of Employees

No matter what role our employees play, they each bring special skills and talents to our Company. We enhanced the power of our employees in 2009 through development opportunities, and recruitment and training initiatives. The development of a new work methods team combined years of knowledge and experience from across the Company in support of transmission and distribution functions. Instrumental in the development and implementation of work procedures, operational practices, and tool and equipment specifications, our employees use the power of teamwork to identify best practices to ensure everyone is working safely and effectively.

We underwent a significant reorganization in the second quarter, bringing a larger number of employees from across the Company together to create and maintain a safe work environment. This new structure works at the grassroots level to increase employee involvement in the safety process.

Working towards maximizing knowledge transfer and smooth employee succession, we continued our Powerline Technician Apprentice Program in 2009. The job skill and training requirements associated with this program enable us to provide the same level of safe, reliable service our customers have come to expect, despite the pressures of an aging workforce.

We also focused on a number of recruitment initiatives in 2009. We developed succession plans for key positions within our Engineering and Operations Departments. Our participation in career fairs at Memorial University of Newfoundland and College of the North Atlantic campuses increased. And, we hired 19 work term students as part of our continued support of Cooperative Programs.

In 2009, the Company and its Union, IBEW Local 1620, ratified 2 Collective Agreements, which will remain in effect for 3 years, until September 2011.

We believe in a strategic and consistent approach to the development of our organization's most valued assets, our EMPLOYEES, who individually and collectively contribute to our corporate success.

The Power of Environment

We believe in the power of our environment. That's why we take our pledge to operate in an environmentally responsible manner very seriously.

In 2009, we completed several projects to reduce the environmental risks associated with operating our electricity system. Such projects involved: replacing the wooden penstock at our Rocky Pond Hydroelectric Plant with steel; replacing aged transformers to reduce the risk of oil leakage; and, removing and disposing of PCB oil-filled electrical equipment. To date, approximately 78% of our feeders and 87% of our substations have been completed under the PCB Phase-out Program.

Throughout the year, we also invested capital to make our electricity system more energy efficient. By raising the spillway at our Rose Blanche Hydroelectric Plant, we successfully increased the plant's energy output. The incremental energy will help to defer new hydroelectric developments and serve to displace the use of additional oil from Hydro's Holyrood Generating Plant. 2009 also marked the first of a 3-year project involving replacing streetlights across the island with energy efficient High Pressure Sodium lights. The new lights provide the same quality of lighting while consuming 35% less energy.

An external audit of our Environmental Management System in 2009 verified our continued compliance with the ISO 14001 international standard. It further confirmed that our facilities are well-maintained and our employees continue to demonstrate a commitment to working in an environmentally responsible manner.

2009 also marked the 12th anniversary of our annual employee-driven *EnviroFest* celebrations. During Environment Week, we hosted 8 events across the island, attended by thousands of people and over 300 community groups. To date, our employees and community volunteers have planted approximately 2,000 trees as part of our *EnviroFestivities*, helping to improve our environment and beautify green spaces throughout the province.

We pride ourselves on taking a leadership role in creating public awareness about the importance of preserving our environment for future generations. In 2009, we paid particular attention to educating participants and communities about the benefits of being energy efficient.

Our commitment to the ENVIRONMENT is not only a part of normal business operations, but also a partnership with our customers and communities to build a greener tomorrow.

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THE EMPLOYEES OF
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The Power of Community

Our history of community involvement stems from the devotion our employees have to the places in which they live and work. With area offices and facilities located throughout the island, the power of our contributions can be seen from coast to coast.

In 2009, we contributed over $165,000 to our corporate charity, *The Power of Life Project*, which helped to enhance cancer care through several area-specific donations. We donated 5 chemotherapy chairs to the Cancer Centre Western Region, a blanket warmer to the Burin Cancer Centre, and the second $100,000 installment of our $350,000 commitment to the Dr. H. Bliss Murphy Cancer Centre Capital Campaign.

We have donated in excess of $1.5 million to cancer care to date. This is the result of continuous contributions from our customers and employees, our annual corporate donation, and employee-driven fundraisers, such as annual snowmobile runs, and golf and softball tournaments. Working as a team we have, and will continue to, make a difference in the fight against cancer in Newfoundland and Labrador. And, every dollar goes to research, treatment and awareness initiatives in this province.

In support of prostate cancer awareness, we stepped up our support of *Motorcycle Ride for Dad* in 2009. In addition to assisting with education and awareness, we hosted over 600 bikes at our Kenmount Road location on *Ride Day*. Together we raised about $130,000 toward the fight against prostate cancer in Newfoundland and Labrador.

We formed a new community partnership in 2009 with our sponsorship of *East Meets West*, a unique initiative aimed at increasing tourism on the east and west coasts of the island. We also strengthened our relationship with Municipalities Newfoundland and Labrador through presentations, seminars and participation in several municipal events.

Our employees and their families demonstrated their commitment to giving the gift of life throughout the year. In 2009, we were the highest of any corporate partner in Atlantic Canada, second only to the Canadian Forces Base in Gagetown, New Brunswick. Since joining Canadian Blood Services' *Partners for Life* program in 2004, Newfoundland Power employees and their families have made approximately 1,700 blood donations, helping to save up to 5,100 lives.

As one of the oldest existing businesses in the province, we have one of the longest histories of COMMUNITY involvement, and it is our employees who have made all the difference.

Management Discussion and Analysis

This Management Discussion and Analysis ("MD&A") dated February 4, 2010, should be read in conjunction with Newfoundland Power Inc.'s (the "Company" or "Newfoundland Power") annual financial statements and notes thereto for the year ended December 31, 2009. The MD&A has been prepared in accordance with National Instrument 51-102 Continuous Disclosure Obligations. Financial information herein reflects Canadian dollars and Canadian generally accepted accounting principles ("Canadian GAAP"), including certain accounting practices unique to rate regulated entities. These accounting practices, which are disclosed in Notes 2 and 4 to the Company's 2009 annual audited financial statements, result in the recognition of revenues, expenses, regulatory assets and regulatory liabilities which would not occur in the absence of rate regulation and which affect the Company's reported earnings, cash flows and financial position.

Certain information herein is forward-looking and reflects management's current expectations regarding the Company's future financial and related performance. 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 reflects management's current beliefs and is based on information currently available to the Company's management. Certain material factors, estimates and assumptions, which are subject to inherent risks and uncertainties surrounding future expectations generally, have been applied in drawing the conclusions contained in the forward-looking statements. These are related to, but are not limited to: regulation; energy supply; competition; general economic conditions; health, safety and the environment; interest rates; insurance; weather; labour relations; licences and permits; capital resources and liquidity. Readers are cautioned to not place undue reliance on forward-looking statements because actual results could differ materially from the results discussed or implied in those statements. The Company undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise.

Additional information, including the Company's quarterly and annual financial statements, annual information form and management information circular, is available on SEDAR at www.sedar.com.

OVERVIEW

The Company

Newfoundland Power is a regulated electricity utility that owns and operates an integrated generation, transmission and distribution system throughout the island portion of the Province of Newfoundland and Labrador. All the Company's common shares are owned by Fortis Inc. ("Fortis"), which is principally a diversified, international holding company for electricity and gas distribution utilities.

Newfoundland Power's primary business is electricity distribution. It generates approximately 8% of its electricity needs and purchases the remainder from Newfoundland and Labrador Hydro ("Hydro"). Newfoundland Power serves over 239,000 customers, approximately 85% of all electricity consumers in the Province.

Newfoundland Power's vision is to be a leader among North American electricity utilities in terms of safety, reliability, customer service and efficiency. The key goals of the Company are to operate sound electricity distribution systems, deliver safe reliable electricity to customers at the lowest reasonable cost and conduct business in an environmentally and socially responsible manner.

Regulation

Newfoundland Power is regulated by the Newfoundland and Labrador Board of Commissioners of Public Utilities (the "PUB"). The Company operates under cost of service regulation whereby it is entitled the opportunity to recover, through customer rates, all reasonable and prudent costs incurred in providing electricity service to its customers, including a just and reasonable return on its rate base. The rate base is the value of the net assets required to provide electricity service.

Between general rate hearings, customer rates are established annually through an automatic adjustment formula (the "Formula"). The Formula sets an appropriate rate of return on common equity ("ROE") which is used to determine the rate of return on rate base. In accordance with operation of the Formula, the Company's rate of return on rate base for ratemaking purposes for 2009 remained unchanged from 2008 at 8.37%, with a range of 8.19% to 8.55%. This reflects a regulated ROE of 8.95%, unchanged from 2008.

Financial Highlights

	2009	2008	Change
Electricity Sales *(gigawatt hours ("GWh"))*	5,299.0	5,208.2	90.8
Earnings Applicable to Common Shares			
$ Millions	32.6	32.3	0.3
$ Per Share	3.16	3.13	0.03
ROE *(%)*[1]	8.64	8.86	(0.22)
Cash Flow from Operating Activities *($millions)*	59.4	85.0	(25.6)
Total Assets *($millions)*	1,188.0	1,001.9	186.1

[1] *Earnings applicable to common shares, divided by the average of common shareholder's equity at the beginning and end of the year. This ratio is a non-GAAP financial measure, does not have any standardized meaning prescribed by GAAP and is unlikely to be comparable to similar ratios published by other companies. It is presented because it is commonly referred to by the users of the Company's financial statements in evaluating the results of operations and by the Company's regulator in the rate setting process.*

Electricity sales for the year ended December 31, 2009 increased by 90.8 GWh or 1.7% compared to 2008. The increase in electricity sales is comprised of an increase of (i) 1.5% due to customer growth and (ii) 0.2% due to higher average consumption.

Earnings for the year ended December 31, 2009 increased $0.3 million from $32.3 million in 2008 to $32.6 million in 2009. Additional earnings from higher electricity sales and other revenue, a lower effective tax rate and changes in purchase power expense due to higher water inflows in 2008 associated with the Company's hydroelectric generating facilities were partially offset by increased operating, amortization, finance and demand costs.

The decrease in cash flow from operating activities primarily reflects higher income tax installments and timing of payments relating to 2008 income taxes. Timing differences in other non-cash working capital items also contributed to lower cash flow from operating activities.

The increase in total assets was predominantly due to the adoption of Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3465, Income Taxes (see Note 2 of the Company's 2009 annual audited financial statements). The remaining increase resulted from continued investment in the electricity system, and is consistent with the Company's strategy to provide safe, reliable electricity service at the lowest reasonable cost.

Pursuant to the Company's 2010 General Rate Application ("2010 GRA"), in December 2009, the PUB ordered that customer electricity rates be increased by an overall average of approximately 3.5% effective January 1, 2010. The Company's rate of return on rate base for ratemaking purposes was set at 8.23%, with a range of 8.05% to 8.41%, for 2010. This reflects a regulated ROE of 9.00% for 2010. The Formula remains unchanged however it is subject to review in 2010. The 2010 GRA also provided for the amortization of certain regulatory assets and liabilities and the creation of a pension expense variance deferral account ("PEVDA") to deal with differences between defined benefit pension expense calculated in accordance with GAAP and pension expense approved by the PUB for rate setting purposes. The 2010 general rate order is expected to yield earnings and cash flows that will enable the Company to maintain its investment grade credit ratings.

RESULTS OF OPERATIONS

Revenue:

($millions)	**2009**	**2008**	**Change**
Revenue from Rates	508.8	496.4	12.4
Amortization of Regulatory Liabilities	6.0	8.6	(2.6)
Other Revenue[1]	12.4	11.9	0.5
Total	527.2	516.9	10.3

1 *Other revenue is composed largely of pole attachment charges to various telecommunication companies.*

Revenue increased by approximately $10.3 million, from $516.9 million in 2008 to $527.2 million in 2009. The increase primarily resulted from electricity sales growth.

The amortization of regulatory liabilities related to unbilled revenue and municipal tax is in accordance with PUB orders. These regulatory liabilities are described in Note 4 to the Company's 2009 annual audited financial statements.

Other revenue increased by approximately $0.5 million, from $11.9 million in 2008 to $12.4 million in 2009. The increase was primarily related to land sales and higher joint use revenue, partially offset by lower interest on customer accounts.

Purchased Power: Purchased power expense increased by approximately $9.0 million, from $336.7 million in 2008 to $345.7 million in 2009. The increase was primarily due to electricity sales growth and higher demand charges from Hydro.

Operating Expense: Operating expense increased by approximately $2.2 million from $47.1 million in 2008 to $49.3 million in 2009. Wage and inflationary increases, increased costs associated with the 2010 GRA and higher PUB assessment costs due to timing of recognition of these costs in 2008, were partially offset by reductions in insurance and travel costs.

Pension and Early Retirement Program Costs: Pension and early retirement program costs decreased by approximately $0.3 million from $3.0 million in 2008 to $2.7 million in 2009. The decrease was primarily due to a higher discount rate at December 31, 2008, which is used to determine the Company's accrued benefit pension obligation associated with its Defined Benefit Pension Plan. This was partially offset by 2008 experience losses associated with the pension plan assets and a lower assumed long-term rate of return on pension assets for 2009. The impact of the decline in pension plan assets in 2008, as it relates to 2009 pension expense, was also mitigated as the pension assets are valued using the market related value as outlined in Note 2 to the 2009 annual audited financial statements.

Amortization: Amortization of property, plant and equipment and intangible assets increased by approximately $1.2 million, from $40.6 million in 2008 to $41.8 million in 2009. Higher amortization was associated with capital and intangible asset expenditures of $74.1 million in 2009.

Amortization True-Up Deferral: Amortization of property, plant and equipment and intangible assets is subject to periodic review by external experts via an amortization study. Based on a 2002 amortization study, the PUB ordered the deferred recovery of approximately $11.6 million, $5.8 million in each of 2006 and 2007, related to a variance in accumulated amortization. These deferrals were recorded as an increase in regulatory assets and a decrease in expenses in each year, to be amortized evenly over 2008 through 2010. The Company has recorded $3.9 million of amortization in both 2009 and 2008. This regulatory asset is described further in Note 4 to the Company's 2009 annual audited financial statements.

Finance Charges: Finance charges increased by approximately $1.1 million from $33.5 million in 2008 to $34.6 million in 2009. This increase primarily related to higher interest costs associated with the $65 million first mortgage bond issue in May 2009, partially offset by lower short term interest rates which are reflective of current market conditions.

Income Taxes: Income tax expense decreased by approximately $3.0 million, from $19.1 million in 2008 to $16.1 million in 2009. This decrease primarily reflects a lower effective income tax rate resulting from the amortization of regulatory deferrals and a reduction in the statutory tax rate.

FINANCIAL POSITION

Explanations of the primary causes of significant changes in the Company's balance sheets between December 31, 2008 and December 31, 2009 follow.

($millions)	**Increase (Decrease)**	**Explanation**
Cash	4.7	Increase due to timing of payments related to the Company's credit facilities.
Accrued Pension	4.7	Pension funding in excess of pension expense.
Total Regulatory Assets	143.4	Increase primarily due to the adoption of CICA Handbook Section 3465, *Income Taxes* (see Note 3 of the Company's 2009 annual audited financial statements).
Income Tax Payable / Receivable (Net)	(11.8)	Decrease related to timing of income tax installments. Higher installments were required in 2009 based upon 2008 income taxes.
Property, Plant and Equipment	28.4	Investment in electricity system, in accordance with 2009 capital expenditure program, offset partially by amortization and customer contributions in aid of construction.
Total Regulatory Liabilities	17.3	Increase primarily due to the adoption of CICA Handbook Section 3465, *Income Taxes* (see Note 3 of the Company's 2009 annual audited financial statements).
Other Post-Employment Benefits	5.6	Increase in employee future benefit liability.
Total Future Income Taxes	122.3	Increase primarily due to the adoption of CICA Handbook Section 3465, *Income Taxes* (see Note 3 of the Company's 2009 annual audited financial statements).
Long-term Debt, including Current Portion	41.1	Represents additional debt required to finance growth in rate base and ongoing operating activities.
Retained Earnings	7.4	Earnings, in excess of dividends, retained to finance rate base growth.

LIQUIDITY AND CAPITAL RESOURCES

The primary sources of liquidity and capital resources are net funds generated from operations, debt capital markets and bank credit facilities. These sources are used primarily to satisfy capital and intangible asset expenditures, service and repay debt, and pay dividends. A summary of cash flows and cash position for 2009 and 2008 follows.

($millions)	**2009**	**2008**	**Change**
Cash, Beginning of Year	0.6	1.1	(0.5)
Operating Activities	59.4	85.0	(25.6)
Investing Activities			
Capital and Intangible Asset Expenditures	(74.1)	(67.3)	(6.8)
Other	4.5	3.2	1.3
	(69.6)	(64.1)	(5.5)
Financing Activities			
Bond Issue	65.0	-	65.0
Net Credit Facility Repayments	(18.5)	(1.0)	(17.5)
Dividends on Common Shares	(25.2)	(15.3)	(9.9)
Bond Sinking Fund Payments	(5.2)	(4.6)	(0.6)
Other	(1.2)	(0.5)	(0.7)
	14.9	(21.4)	36.3
Cash, End of Year	5.3	0.6	4.7

Operating Activities

Cash flow from operating activities totalled $59.4 million in 2009 compared to $85 million in 2008. The $25.6 million decrease in cash flow from operating activities reflects (i) higher income tax installments for 2009, (ii) timing of payments relating to 2008 income taxes, (iii) timing differences related to collection of electricity and other receivables and (iv) collections under the Company's equal payment plan for its electricity customers.

Investing Activities

Cash flow used in investing activities totalled $69.6 million in 2009 compared to $64.1 million in 2008. The $5.5 million increase was due primarily to higher capital expenditures in 2009 compared to 2008. A summary of 2009 and 2008 capital and intangible asset expenditures follows.

($millions)	**2009**	**2008**
Electricity System		
Generation	8.8	4.1
Transmission	4.4	5.2
Substations	8.2	7.5
Distribution	38.8	35.5
Intangible Assets and Other	13.9	15.0
Capital and Intangible Asset Expenditures	74.1	67.3

The Company's business is capital intensive. Capital investment is required to ensure continued and enhanced performance, reliability and safety of the electricity system, and to meet customer growth. All costs considered to be repairs and maintenance are expensed as incurred. Capital investment also arises for information technology systems and for general facilities, equipment and vehicles. Capital expenditures, and property, plant and equipment repairs and maintenance expense, can vary from year-to-year depending upon both planned electricity system expenditures and unplanned expenditures arising from weather or other unforeseen events.

The Company's annual capital plan requires prior PUB approval. Variances between actual and planned expenditures are generally subject to PUB review prior to inclusion in the Company's rate base.

The PUB has approved the Company's 2010 capital plan which provides for capital expenditures of approximately $64.7 million, approximately half of which relate to construction and capital maintenance of the electricity distribution system.

Financing Activities

Cash flow from financing activities totalled $14.9 million in 2009 compared to cash used in financing activities of $21.4 million in 2008. The $36.3 million increase in cash from financing activities was primarily required to finance lower cash from operations, higher capital expenditures and payment of higher common share dividends to maintain a capital structure composed of 55% debt and 45% common equity.

The Company has historically generated sufficient annual cash flows from operating activities to service annual interest and sinking fund payments on debt, to pay dividends and to finance a major portion of its annual capital program. Additional financing to fully fund the annual capital program is primarily obtained through the Company's bank credit facilities and these borrowings are periodically refinanced along with any maturing bonds through the issuance of long-term first mortgage sinking fund bonds. The Company currently does not expect any material changes in these basic cash flow and financing dynamics over the foreseeable future.

Debt: In May 2009, the Company issued 30-year, 6.606% Series AM first mortgage bonds in the amount of $65 million. Net proceeds from this issuance were used to repay amounts outstanding under the Company's credit facilities. These amounts were previously borrowed primarily in relation to the Company's capital expenditure program. The issuance of additional bonds is subject to PUB approval and to an earnings test whereby the ratio of (i) annual earnings, before tax and bond interest, to (ii) annual bond interest incurred plus annual bond interest to be incurred on the contemplated bond issue, must be two times or higher. The Company expects to be able to issue bonds in the normal course for the foreseeable future.

The Company's credit facilities are comprised of a $100 million committed revolving term credit facility and a $20 million uncommitted demand facility. Details follow.

($millions)	**2009**	**2008**
Total Credit Facilities	120.0	120.0
Borrowing, Committed Facility	(13.5)	(32.0)
Credit Facilities Available	106.5	88.0

The committed facility matures in August 2011. Subject to lenders' approval, two years prior to maturity, the Company may request an extension for a further period of 364 days. During 2009, the Company opted not to extend the committed facility for the additional 364 days. In 2010, one year prior to maturity, the Company may request an extension for a further period of up to one year and 364 days.

Pensions: As at December 31, 2009, the fair value of the Company's primary defined benefit pension plan assets was $242.7 million compared to fair value of plan assets of $212.6 million as at December 31, 2008. The fair value of plan assets at the beginning of 2008 was $259.7 million. Details of the changes are included in Note 8 to the Company's 2009 annual audited financial statements. The increase in the fair value of pension plan assets during 2009 was mainly driven by the recovery of global financial market conditions.

In April 2009, Newfoundland Power received the Actuarial Valuation Report for its defined benefit pension plan. This report included the funding status of the plan as at December 31, 2008 on a going concern and solvency basis.

The going concern and solvency valuation was based on an adjusted market related value method to determine the actuarial value of assets. Under this method, investment gains (losses) arising during a given year are spread on a straight line basis over three years; within a 5% corridor of the fair value of the assets for the solvency valuation. The actuarial value of the assets, determined as at December 31, 2008 under the adjusted market value method for the going concern and solvency valuation was $251.4 million and $222.7 million, respectively.

Based on the report, the solvency deficit as at December 31, 2008 was $6.9 million ($7.7 million inclusive of interest). The solvency deficit is being funded over a five-year period, commencing in 2009. The Company fulfilled its 2009 annual solvency deficit funding requirement of $1.5 million during the second quarter of 2009.

The Company does not expect any difficulty in its ability to meet future pension funding requirements as it expects the amounts will be financed from a combination of cash generated from operations and amounts available for borrowing under existing credit facilities.

Contractual Obligations: Details, as at December 31, 2009, of all contractual obligations over the subsequent five years and thereafter, follow.

($millions)	**Total**	**2010**	**2011-2012**	**2013-2014**	**2015 Onward**
Credit Facilities (unsecured)	13.5	-	13.5	-	-
First Mortgage Sinking Fund Bonds[1]	468.9	5.2	10.4	39.0	414.3
Pension Solvency Deficit[2]	6.2	1.5	3.1	1.6	-
Total	488.6	6.7	27.0	40.6	414.3

1 *First mortgage sinking fund bonds are secured by a first fixed and specific charge on capital assets owned or to be acquired by the Company and carry customary covenants.*

2 *Pension funding requirements based on the Actuarial Valuation Report associated with the Company's defined benefit pension plan, completed as at December 31, 2008. This does not include routine funding requirements for current service cost.*

Credit Ratings and Capital Structure: To ensure continued access to capital at reasonable cost, the Company endeavours to maintain its investment grade credit ratings. Details of the Company's investment grade bond ratings as at December 31, 2009 and 2008 follow.

	2009		2008	
Rating Agency	**Rating**	**Outlook**	**Rating**	**Outlook**
Moody's Investors Service	A2	Stable	Baa1	Stable
Dominion Bond Rating Service	A	Stable	A	Stable

On August 3, 2009, Moody's upgraded Newfoundland Power's investment grade bond rating from "Baa1" to "A2". Moody's also assigned a "Baa1" issuer rating to Newfoundland Power. The Company's investment grade bond rating and rating outlook from Dominion Bond Rating Service remain unchanged from 2008.

Newfoundland Power endeavours, by managing common share dividends, to maintain a capital structure composed of 55% debt and 45% common equity. This capital structure is reflected in customer rates and is consistent with the Company's current investment grade credit ratings. The Company's capital structure as at December 31, 2009 and 2008 follows.

	2009		2008	
	$millions	**%**	**$millions**	**%**
Total Debt[1]	473.9	54.8	437.5	53.3
Common Equity	381.2	44.1	373.7	45.5
Preferred Equity	9.1	1.1	9.4	1.2
Total	864.2	100.0	820.6	100.0

[1] *Includes bank indebtedness, or net of cash, if applicable.*

The Company currently expects it will be able to maintain its current investment grade credit ratings in 2010.

Capital Stock and Dividends: For the years ended 2009 and 2008, the weighted average number of common shares outstanding was 10,320,270. Dividends on common shares, for 2009, compared to 2008, were $9.9 million higher. In 2009, common quarterly dividends increased to $0.61 per share compared to $0.37 per share in 2008. The increase in common share dividends was to maintain an average capital structure that includes approximately 45% common equity.

During 2009, the Company redeemed 24,125 preference shares for consideration of approximately $0.2 million.

RELATED PARTY TRANSACTIONS

The Company provides services to, and receives services from, its parent company, Fortis and other subsidiaries of Fortis. The Company also incurs charges from Fortis for the recovery of general corporate expenses incurred by Fortis. These transactions are in the normal course of business and are recorded at their exchange amounts.

Related party transactions included in revenue, operating expenses, finance charges and included in accounts receivable as at December 31, 2009 and 2008 follow.

($millions)	2009	2008
Revenue[1]	4.5	4.2
Operating Expenses	1.6	1.5
Finance Charges	-	0.3
Accounts Receivable	0.1	0.2

[1] *Includes charges for electricity consumed.*

In 2008, the Company borrowed $32.5 million from Fortis as a short-term demand loan at an interest rate of 3.15%, which was indicative of Bankers' Acceptance rates at the time. This amount was fully repaid in 2008. There were no amounts borrowed from Fortis in 2009.

FINANCIAL INSTRUMENTS

The carrying values of financial instruments included in current assets, current liabilities, other financial assets, and other financial liabilities approximate their fair value, reflecting their nature, short-term maturity or normal trade credit terms. The fair value of long-term debt is calculated by discounting the future cash flows of each debt instrument at the estimated yield-to-maturity equivalent to benchmark government bonds, with similar terms to maturity, plus a market credit risk premium equal to that of issuers of similar credit quality. Since the Company does not intend to settle its debt instruments before maturity, the fair value estimate does not represent the actual liability, and therefore, does not include exchange or settlement costs.

The estimated fair value of the Company's first mortgage sinking fund bonds was $577.6 million at December 31, 2009 and $505.1 million at December 31, 2008. The reason for the significant change was the issuance of $65 million 30-year first mortgage sinking fund bonds during the second quarter of 2009.

BUSINESS RISK MANAGEMENT

Regulation: The Company is subject to normal uncertainties facing entities that operate under cost of service regulation. It is dependent on PUB approval of customer electricity rates that permit a reasonable opportunity to recover on a timely basis the estimated costs of providing electricity service, including a fair and reasonable return on rate base. The ability to recover the actual costs of providing service and to earn the approved rates of return depends on achieving the forecasts established in the rate setting process. Between general rate applications, the setting of customer rates through the Formula can cause earnings and cash flows to increase or decrease due to corresponding changes in bond yields which are beyond the Company's control.

Economic Conditions: Economic conditions primarily impact the performance of the Company's defined benefit pension plan, cost of capital and electricity sales. The impact on pensions and cost of capital are discussed below. Electricity sales are influenced by economic factors in the Company's service territory such as changes in employment levels, personal disposable income, energy prices and housing starts. Out-migration in rural areas,

as well as declining birth rates and increasing death rates associated with an aging population also affect sales. Modest sales growth is currently expected for 2010; however, economic conditions may impact actual future sales.

Pension: The Company's defined benefit pension plan is impacted by economic conditions as it relates to the Company's future pension funding requirements, as discussed in the "Liquidity and Capital Resources" section of this MD&A. Future pension obligations and related pension expense may also be impacted by economic conditions. The defined benefit pension plan is subject to judgments utilized in the actuarial determination of the pension obligation and the related pension expense. The primary assumptions utilized by management are the expected long-term rate of return on pension plan assets and the discount rate used to value the accrued benefit obligation. A discussion of the critical accounting estimates associated with pensions is provided in the "Critical Accounting Estimates" section of this MD&A.

There is no assurance that the pension plan assets will earn the expected long-term rate of return in the future. Market driven changes impacting the performance of the pension plan assets may result in material variations in actual return on pension plan assets from the expected long-term return on the assets. This may cause material changes in future pension liabilities and pension expense. Financial market fluctuations may also impact the discount rate resulting in material variations in future pension liabilities and pension expense.

As discussed under the "Financial Highlights" section of this MD&A, for 2010 and onwards, the PUB has approved the creation of a PEVDA to deal with the differences between defined benefit pension expense calculated in accordance with Canadian GAAP and pension expense approved by the PUB for rate setting purposes. Variations in pension expense from that approved by the PUB for rate setting purposes would be recovered from (returned to) customers through the Company's rate stabilization account. This deferral account substantially mitigates the Company's earnings risk associated with the volatility of its defined benefit pension expense.

There is also measurement uncertainty associated with pension expense, future funding requirements, the accrued benefit asset, accrued benefit liability and benefit obligation inherent in the actuarial valuation process.

Capital Resources: Global financial market conditions could increase the Company's cost of capital as well as impact timing of future long-term bond issues. Market driven changes in interest rates could cause fluctuations in interest costs associated with the Company's bank credit facilities. The Company periodically refinances its credit facilities in the normal course with fixed-rate first mortgage sinking fund bonds, which compose most of its long-term debt, thereby significantly mitigating exposure to short-term interest rate changes.

Credit Ratings: The Company does not anticipate any material adverse rating actions by the credit rating agencies in the near term. However, the recent volatility in the global financial markets has placed increased scrutiny on rating agencies and rating agency criteria which may result in changes to credit rating practices and policies.

Electricity Prices: Increases in electricity rates can cause changes in customer electricity consumption, which could negatively impact sales and therefore earnings and cash flows. Electricity prices have risen in recent years primarily due to the flow-through of the rising cost of oil used at Hydro's thermal generating station. Future changes or volatility in oil prices may affect electricity prices in a manner that affects sales.

Effective July 1, 2009, there was an overall average decrease in electricity rates charged to customers of approximately 6.6%. The decrease is a result of the normal annual operation of Hydro's Rate Stabilization Plan. Variances in the cost of fuel used to generate electricity Hydro sells to Newfoundland Power are captured and flowed-through to the Company's customers through the operation of the Rate Stabilization Plan. This reduction in customer rates had no impact on earnings for Newfoundland Power.

Competition: The Company currently does not expect any significant loss in heating market share to its primary competitor which is furnace oil. Natural gas is not expected to enter the Company's service territory in the foreseeable future.

Purchased Power Cost: The Company is dependent on Hydro for approximately 92% of its electricity requirements. Purchased Power costs are based on a wholesale demand and energy rate structure. The demand and energy rate structure presents the risk of volatility in purchased power costs due to uncertainty in forecasting energy sales and peak billing demand.

Effective January 1, 2008, the PUB ordered the operation of the demand management incentive account (the "DMI"). The DMI limits variations in the unit cost of purchased power related to demand up to 1% of total demand costs reflected in customer rates, or approximately $0.5 million for 2009. The disposition of balances in this account, which would be determined by a further order of the PUB, will consider the merits of the Company's conservation and demand management activities.

With respect to energy charges, as a result of January 1, 2007 changes in Hydro's wholesale rates, the marginal cost of purchased power now exceeds the average cost of purchased power that is embedded in customer rates. To the extent actual electricity sales in any period exceed forecast electricity sales used to set customer rates, the marginal purchased power expense will exceed related revenue. These supply cost dynamics had no material effect on 2009 earnings because the PUB ordered, for 2008 to 2010, that variations in purchased power expense caused by differences between the actual unit cost of energy purchased and that reflected in customer rates be recovered from (returned to) customers through the Company's rate stabilization account. Pursuant to the Company's 2010 GRA, the PUB has ordered the continued use of the energy supply cost variance reserve.

Regulatory Assets and Liabilities: The accounting methods that give rise to, and the settlement of, regulatory assets and liabilities are determined by the PUB and may impact the Company's future cash flows.

Health, Safety and Environment: The Company is subject to numerous and increasing environmental, health and safety laws, regulations and guidelines governing hazardous substances and other waste materials. Electricity is itself a hazardous commodity. Damages and costs could potentially arise due to a variety of events, including severe weather, human error or misconduct, and equipment failure. There is no assurance that any costs which might arise would be recoverable through customer rates and, if substantial, unrecovered costs could have a material adverse effect on the results of operations, cash flows and financial position of the Company. A focus on safety and the environment is an integral and continuing component of the Company's core business strategy.

2009 was the Company's second full year under the internationally recognized Occupational Health and Safety Assessment Series 18001 Health and Safety Management System. Continuing to meet this standard improves the Company's ability to capture and track information related to safe work practices and hazard recognition, and enhanced safety management.

A key element of environmental management is the Company's environmental management system ("EMS"). The Company's EMS is designed to mitigate the risks associated with the potential release of hazardous substances into the air, water and soil as part of its day-to-day operations. The Company's EMS is compliant with the International Organization for Standardization 14001 standard. One key hazard relates to the risk of air, soil and water contamination that could stem from the storage of large volumes of fuel and the use of other petroleum based products in day-to-day operating and maintenance activities. In addition, key hazards related to hydroelectric generation operations are the creation of artificial water flows that may disrupt natural habitats and the storage of large volumes of water for the purposes of electricity generation.

In conjunction with the operation of its EMS, the Company is materially compliant with the governing environmental laws under which it must operate. At December 31, 2009, there are no environmental liabilities included in the Company's annual audited financial statements and there are no material unrecorded environmental liabilities.

Insurance: While the Company maintains a comprehensive insurance program, the Company's transmission and distribution assets (i.e. poles and wires) are not covered under insurance for physical damage. This is customary in North America as the cost of the coverage is not considered economical. Insurance is subject to coverage limits as well as time-sensitive claims discovery and reporting provisions and there is no assurance that the types of liabilities that may be incurred by the Company will be covered by insurance.

For material uninsured losses, the Company expects that it would seek regulatory relief. However, there is no assurance that regulatory relief would be received. Any major damage to the physical assets of the Company could result in repair costs and customer claims that are substantial in amount and which could have a material adverse effect on the Company's results of operations, cash flows and financial position.

It is expected that existing insurance coverage will be maintained. However, there is no assurance that the Company will be able to obtain or maintain adequate insurance in the future at rates considered reasonable or that insurance will continue to be available on terms comparable to those now existing.

Weather: The physical assets of the Company are exposed to the effects of severe weather conditions and other acts of nature. Although the physical assets have been constructed, operated and maintained to withstand severe weather, there is no assurance that they will successfully do so in all circumstances. This could result in the interruption of electricity service in a manner that could have a material adverse effect on the Company's results of operations, cash flows and financial position.

Labour Relations: Approximately 54% of the employees of the Company are members of the International Brotherhood of Electrical Workers labour union (the "IBEW") which had entered into two collective bargaining agreements with the Company. The two agreements expire on September 30, 2011. The inability to maintain or renew the collective bargaining agreements on acceptable terms could result in increased labour costs, or service level declines associated with job action, which could have a material adverse effect on the results of operations, cash flows and financial position of the Company.

2009 ACCOUNTING CHANGES

Goodwill and Intangible Assets: Effective January 1, 2009, the Company adopted the new CICA Handbook Section 3064, *Goodwill and Intangible Assets*, which effectively converges Canadian GAAP for goodwill and intangible assets with International Financial Reporting Standards ("IFRS"). Adoption of this standard resulted in the reclassification of certain assets previously included in property, plant and equipment to intangible assets. The items that were reclassified consist of certain computer software and land rights. As at December 31, 2008, $13.8 million and $2.3 million were reclassified to intangible assets on the balance sheet related to certain computer software and land rights, respectively.

Rate Regulated Operations: Effective January 1, 2009, the Accounting Standards Board ("AcSB") amended: (i) CICA Handbook Section 1100, *Generally Accepted Accounting Principles* removing the temporary exemption providing relief to entities subject to rate regulation from the requirement to apply the Section to the recognition and measurement of assets and liabilities arising from rate regulation; and (ii) Section 3465, *Income Taxes* to require the recognition of future income tax liabilities and assets as well as offsetting regulatory assets and liabilities by entities subject to rate regulation.

Effective January 1, 2009, with the removal of the temporary exemption in Section 1100, the Company must now apply Section 1100 to the recognition of assets and liabilities arising from rate regulation. Certain assets and liabilities arising from rate regulation continue to have specific guidance under a primary source of Canadian GAAP that applies only to the particular circumstances described therein, including those arising under Section 3061, *Property, Plant and Equipment*, Section 3465, *Income Taxes*, and Section 3475, *Disposal of Long-Lived Assets and Discontinued Operations*. The assets and liabilities arising from rate regulation, as described in Note 4 to the 2009 Annual Financial Statements, do not have specific guidance under a primary source of Canadian GAAP. Therefore, Section 1100 directs the Company to adopt accounting policies that are developed through the exercise of professional judgment and the application of concepts described in Section 1000, *Financial Statement Concepts*. In developing these accounting policies, the Company may consult other sources including pronouncements issued by bodies authorized to issue accounting standards in other jurisdictions. Therefore, in accordance with Section 1100, the Company has determined that its regulatory assets and liabilities qualify for recognition under Canadian GAAP and this recognition is consistent with U.S. Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation*. Therefore, there was no effect on the Company's financial statements as at January 1, 2009 due to the removal of the temporary exemption in Section 1100.

Effective January 1, 2009, the impact of the amendment to Section 3465, *Income Taxes* is the recognition of future income tax assets and liabilities and related regulatory liabilities and assets for the amount of future income taxes expected to be refunded to, or recovered from, customers in future electricity rates. In accordance with the revised standard, as at January 1, 2009, the Company's future income tax liability increased by approximately $118 million with a corresponding change to regulatory assets and liabilities of approximately $118 million. Included in the amounts are the future income tax effects of the expected subsequent settlement of the related regulatory assets and liabilities through future customer rates. This change does not affect the Company's earnings or cash flows.

Credit Risk and the Fair Value of Financial Assets and Liabilities: Effective January 1, 2009, the Company adopted the new Emerging Issues Committee Abstract ("EIC-173") of the CICA Handbook, which was issued on January 20, 2009. EIC-173 requires the Company's own credit risk and the credit risk of its counter parties be taken into account in determining the fair value of a financial instrument. There was no effect on the Company's financial statements as a result of adopting EIC-173.

FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards ("IFRS"): In October 2009, the AcSB issued a third and final Omnibus Exposure Draft confirming that publicly accountable enterprises in Canada will be required to apply IFRS, in full and without modification, beginning January 1, 2011. The Company's expected IFRS transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended December 31, 2010, and of amounts reported on the Company's opening IFRS balance sheet as at January 1, 2010.

The Company is continuing to assess the financial reporting impacts of adopting IFRS in 2011. While the full impact on future financial position and results of operations is not fully determinable or estimable at this time, proposals put forth by the International Accounting Standards Board ("IASB") in its July 2009 Exposure Draft – *Rate Regulated Activities*, if adopted, should reduce earnings' volatility that may have otherwise resulted under IFRS, in the absence of an accounting standard for rate regulated activities. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is identifying and assessing these additional disclosure requirements, as well as system changes that will be necessary to compile the required disclosures.

Differences between IFRS and Canadian GAAP, in addition to those referenced below under "Accounting Policy Impacts and Decisions", may continue to be identified based on further detailed analysis by the Company, the outcome of a final standard on accounting for rate regulated activities and other changes in IFRS prior to the Company's conversion to IFRS in 2011.

IFRS Conversion Project: The Company commenced its IFRS conversion project in 2007 and has established a formal project governance structure which includes the Audit & Risk Committee and senior management. An external advisor has been engaged to assist in the IFRS conversion project. Project progress reports are provided to the Company's Audit & Risk Committee on a quarterly basis. The Company has also engaged its external auditors, Ernst & Young, LLP, to review accounting policy determinations as they are arrived at and agreed to internally by the Company's project team.

The Company's IFRS conversion project consists of three phases: (i) scoping and diagnostics, (ii) analysis and development, and (iii) implementation and review.

Phase One: Scoping and diagnostics, which involved project planning and staffing and identification of differences between current Canadian GAAP and IFRS, was completed in the first half of 2008. The identified areas of accounting difference of highest potential impact to the Company, based on existing IFRS at the time, were identified to include: rate regulated accounting; property, plant and equipment; provisions and contingent liabilities; employee benefits; income taxes; and initial adoption of IFRS under the provisions of IFRS 1, *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1").

Phase Two: Analysis and development is nearing completion and involves detailed diagnostics and evaluation of the financial impacts of various options and alternative methodologies provided for under IFRS; identification and design of operational and financial business processes; initial staff training and Audit & Risk Committee orientation; analysis of IFRS 1 optional exemptions and mandatory exceptions to the general requirement for full retrospective application upon transition; summarization of 2011 IFRS disclosure requirements; and development of required solutions to address identified issues.

Phase Three: Implementation and review has commenced and involves the execution of changes to information systems and business processes; completion of formal authorization processes to approve recommended accounting policy changes; and further training programs across the Company, as necessary. It will culminate in the collection of financial information necessary to compile IFRS-compliant financial statements and reconciliations; embedding of IFRS in business processes; and Audit & Risk Committee approval of IFRS-compliant interim and annual financial statements for 2011.

Accounting for Rate Regulated Activities under IFRS: IFRS does not currently provide specific guidance with respect to accounting for rate regulated activities. However, in December 2008, the IASB initiated a project on accounting for rate regulated activities and whether or not rate regulated entities could or should recognize assets or liabilities as a result of rate regulation imposed by a regulatory body.

On July 23, 2009, the IASB issued Exposure Draft - *Rate Regulated Activities* together with a request for public comments by November 20, 2009. Based on the current project timeline of the IASB, a final standard is expected to be issued in the second quarter of 2010. A project update with respect to both direction and timing is expected to result from the IASB's February 2010 meeting.

Based on the Exposure Draft, as it currently exists, regulatory assets and liabilities arising from activities subject to cost of service regulation would be recognized under IFRS based on the measurement of their expected present value. Subject to finalizing a methodology for estimating expected present value, the ability to record regulatory assets and liabilities, as proposed, should reduce the earnings' volatility of the Company that may have otherwise resulted under IFRS in the absence of an accounting standard for rate regulated activities, but will result in the requirement to provide enhanced balance sheet presentation and note disclosures. Continued uncertainty as to the final outcome of the Exposure Draft, and a final standard on accounting for rate regulated activities under IFRS, has resulted in the Company being unable to reasonably estimate and conclude on the impact on the Company's future financial position and results of operations with respect to differences, if any, in accounting for rate regulated activities under IFRS versus Canadian GAAP.

Accounting Policy Impacts and Decisions: The Company has completed an initial assessment of the impacts of adopting IFRS, based on the standards as they currently exist, and has identified the following as having the greatest potential to impact the Company's accounting policies, financial reporting and information systems requirements upon conversion to IFRS. However, final conclusions cannot be reached at this time pending a final IFRS standard on accounting for rate regulated activities.

(a) *Property, Plant and Equipment*

IFRS and Canadian GAAP contain the same basic principles of accounting for property, plant and equipment; however, differences in application do exist. Specifically, there may be changes in accounting for:

i. the amount of capitalized overheads;
ii. the capitalization of major inspections that were previously expensed under Canadian GAAP;
iii. the capitalization of depreciation for which future economic benefits of that asset are absorbed in the production of another asset;
iv. the capitalization of borrowing costs in accordance with IAS 23, *Borrowing Costs*; and,
v. the recognition of gains and losses on property, plant and equipment.

However, the IASB's Exposure Draft - *Rate Regulated Activities* proposes that, in the case of qualifying rate regulated entities, amounts approved by the regulator for inclusion in the cost of self-constructed property, plant and equipment for rate-making purposes shall also be included in the cost of these assets for financial reporting purposes, even if the entity would not otherwise be permitted to include these costs in the cost of its property, plant and equipment based on application of IAS 16, *Property, Plant and Equipment*.

IAS 16, *Property, Plant and Equipment* also requires an allocation of the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and the depreciation of each such part separately. This method of componentizing property, plant and equipment may result in an increase in the number of component parts that are recorded and depreciated and, as a result, may impact the calculation of depreciation expense.

The Exposure Draft - *Rate Regulated Activities* proposes a new transitional exemption for qualifying rate regulated entities that will allow them to use, as of the date of transition, the carrying amount of property, plant and equipment under Canadian GAAP as the deemed cost under IFRS. The Company will likely avail of this exemption, should the Exposure Draft be adopted as proposed.

The final estimate of the impact of applying IAS 16, *Property, Plant and Equipment* by the Company, and elective options with respect to accounting for property, plant and equipment upon transition to IFRS, cannot be made at this time pending a final standard on accounting for rate regulated activities.

(b) *Provisions and Contingent Liabilities*

IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* requires a provision to be recognized when (i) there is a present obligation as a result of a past transaction or event; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) a reliable estimate can be made of the obligation. Under Canadian GAAP the criterion for recognition is "likely", which is a higher threshold than "probable". It is possible, therefore, that some contingent liabilities which would meet the recognition criterion under IFRS would not have been recognized under Canadian GAAP.

In January 2010, the IASB published an Exposure Draft - *Measurement of Liabilities* in IAS 37 ("ED/2010/1"). The publication of ED/2010/1 is part of a larger IASB project which has been ongoing since 2005 and which is intended to result in a new IFRS to replace IAS 37. ED/2010/1 is open for public comment until April 12, 2010. Based on comments received on ED/2010/1, and previous tentative decisions by the IASB with respect to other aspects of IAS 37, a final IFRS to replace IAS 37 is planned for release in the third quarter of 2010.

(c) *Employee Benefits*

IAS 19, *Employee Benefits* requires the past service cost of defined benefit plans to be expensed on an accelerated basis, with vested past service costs being expensed immediately and unvested past service costs being recognized on a straight-line basis until the benefits become vested. Under Canadian GAAP, past service costs are generally amortized on a straight-line basis over the expected average remaining service period of active employees in the defined benefit plan.

IAS 19, *Employee Benefits* requires defined benefit pension plan assets to be measured at fair market value for the purposes of determining pension expense. Under Canadian GAAP, pension plan assets of the Company are currently measured at the market-related value as described in Note 2 in the Company's 2009 annual audited financial statements. In addition, actuarial gains and losses under IFRS are permitted to be recognized directly in equity rather than through earnings, and IFRS 1 also provides an option to recognize immediately in retained earnings all cumulative actuarial gains and losses existing as at the date of transition to IFRS.

The Company maintains a defined benefit pension plan and supplementary and other post-employment benefit plans which will be subject to different accounting treatment under IFRS as compared to Canadian GAAP. The full extent of the impact of applying IAS 19, *Employee Benefits* cannot be made at this time, pending a final standard on accounting for rate regulated activities.

(d) *Income Taxes*

IAS 12, *Income Taxes* prescribes that an entity account for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Therefore, where transactions and other events are recognized in earnings, the recognition of deferred tax assets or liabilities which arise from those transactions should also be recorded in earnings. For transactions that are recognized outside of the statement of earnings, either in other comprehensive income or directly in equity, any related tax effects should also be recognized outside of the statement of earnings.

The most significant impact of IAS 12, *Income Taxes* on the Company will be derived directly from the accounting policy decisions made under IAS 16, *Property, Plant and Equipment* and other IFRS, if applicable. In addition, the Company currently accounts for income taxes based on regulatory decisions. Therefore, the impact on the Company of accounting for the tax consequences of transactions and other events under IFRS versus Canadian GAAP cannot be fully determined at this time pending a final IFRS standard on accounting for rate regulated activities.

(e) *IFRS 1, First-Time Adoption of International Financial Reporting Standards*

IFRS 1 provides the framework for the first time adoption of IFRS and specifies that, in general, an entity shall apply the principles under IFRS retrospectively. IFRS 1 also specifies that the adjustments that arise on retrospective conversion to IFRS from Canadian GAAP should be directly recognized in retained earnings. Certain optional exemptions and mandatory exceptions to retrospective application are provided for under IFRS 1.

The Company has completed an analysis of IFRS 1. While preliminary decisions have been made with respect to the elective exemptions available upon transition, final decisions cannot be made at this time pending a final IFRS standard on the accounting for rate regulated activities.

(f) *Information Systems*

It is anticipated that the adoption of IFRS will have some impact on information systems requirements. The Company has assessed the need for system upgrades or modifications to ensure an efficient conversion to IFRS. The extent of the impact on the Company's information systems is largely dependent upon the final IFRS standard on accounting for rate regulated activities and is, therefore, not fully determinable at this time.

The IASB has a number of on-going projects on its agenda, in addition to the project on accounting for rate regulated activities, that may result in changes to existing IFRS prior to the Company's conversion to IFRS in 2011. The Company continues to monitor these projects and the impact that any resulting IFRS changes may have on its accounting policies, financial position or results of operations under IFRS for 2011 and beyond.

CRITICAL ACCOUNTING ESTIMATES

Preparation of the Company's financial statements in accordance with Canadian GAAP requires management to make estimates and judgements that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosure of contingencies and commitments. Estimates and judgements are based on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions. The critical accounting estimates involving the more significant estimates and judgements used in the preparation of the Company's 2009 annual audited financial statements follow.

Property, Plant and Equipment and Intangible Assets Amortization: By its nature, amortization is an estimate based primarily on the useful lives of assets. Estimated useful lives are based on current facts and historical information, and take into consideration the anticipated physical lives of the assets. Newfoundland Power's amortization methodology, including amortization rates, accumulated amortization and estimated remaining service lives, is subject to a periodic study by external experts. The difference between actual accumulated amortization and that indicated by the amortization study is amortized and included in customer rates in a manner prescribed by the PUB.

The most recent amortization study, based on property, plant and equipment and intangible assets in service as at December 31, 2005, indicated an accumulated amortization variance of approximately $0.7 million. The PUB ordered that this variance be amortized equally over 2008-2011 and that the revised amortization rates arising from the amortization study be implemented effective January 1, 2008. As a result, the total composite amortization rate declined from 3.5% to 3.4%. These changes did not have a significant impact on the Company's earnings, cash flow or financial position because the changes were reflected in the customer rates effective January 1, 2008. As part of the 2010 GRA, the PUB ordered the next amortization study to be based on property, plant and equipment and intangible assets in service as at December 31, 2009.

The estimate of future removal and site restoration costs, net of salvage proceeds, is based on historical experience and future expected cost trends. The balance of this regulatory liability at December 31, 2009 was $48.7 million (December 31, 2008 - $48.0 million). The net amount of estimated future removal and site restoration costs provided for and reported in amortization expense during 2009 was $4.8 million (2008 - $4.6 million).

Capitalized Overhead: Newfoundland Power capitalizes overhead costs which are not directly attributable to specific capital assets, but which relate to the overall capital expenditure program. Capitalization reflects estimates of the portions of various general expenses that relate to the overall capital expenditures program in accordance with a methodology ordered by the PUB. These general expenses capitalized ("GEC") are allocated over constructed property, plant and equipment and amortized over their estimated service lives. In 2009, GEC totalled $3.0 million (2008 - $2.8 million). Changes to the methodology for calculating and allocating general overhead costs to property, plant and equipment could have a material impact on the amounts recorded as operating expenses versus property, plant and equipment. However, any change in the fundamental methodology for the calculation and allocation of GEC would require the approval of the PUB.

Employee Future Benefits: The Company's primary defined benefit pension plan is subject to judgments utilized in the actuarial determination of the expense and related obligation. The primary assumptions utilized by management in determining the pension expense and the accrued benefit obligation are the discount rate and the expected long-term rate of return on plan assets. All defined benefit pension plan assumptions are assessed and concluded in consultation with the Company's external actuarial advisor.

The discount rate as at December 31, 2009, which is utilized to determine the accrued benefit obligation and the 2010 pension expense, is 6.5% compared to the discount rate of 7.5% as at December 31, 2008. Discount rates reflect market interest rates on high quality bonds with cash flows that match the timing and amount of expected pension benefit payments. This methodology is consistent with that used to determine the discount rate in the previous year. The decrease in discount rates reflects the decreased credit spreads and cost of capital on investment grade corporate bonds.

The expected long-term rate of return on pension plan assets which is used to estimate the 2010 defined benefit pension expense is 7.0%, consistent with 2009. The actual rate of return on pension plan assets during 2009 was approximately 17.1%. As in previous years, an actuary provided the Company with a range of expected long-term pension asset returns based on their internal modelling. The expected long-term return on pension plan assets of 7.0% falls within the normal to optimistic range as indicated by the actuary.

In 2010, the Company expects the pension expense related to its primary defined benefit pension plan to increase by approximately $4.8 million compared to 2009. This is primarily driven by the amortization of 2008 experience losses associated with the pension plan assets and a lower discount rate.

The following table provides sensitivity to the changes in the primary assumptions associated with the Company's defined benefit pension plan:

($millions)	**Pension Expense**[1]
Impact of increasing rate of return on assets assumption by 100 basis points (bps)	(2.5)
Impact of decreasing the rate of return on assets assumption by 100 bps	2.5
Impact of increasing the discount rate assumption used during 2009 by 100 bps	(0.5)
Impact of decreasing the discount rate assumption used during 2009 by 100 bps	2.2

[1] *The volatility of future pension expense has been significantly mitigated with the PUB approved PEVDA in which pension expense calculated in accordance with Canadian GAAP and pension expense approved by the PUB for rate setting purposes would be recovered from (returned to) customers through the Company's rate stabilization account.*

Other assumptions are the average rate of compensation increase, average remaining service life of the active employee group, and mortality rates.

The Company's other post-retirement benefits are also subject to judgements utilized in the actuarial determination of the expense and related obligation. Assumptions utilized by management in determining other post-employment benefit plan costs and obligations include the health care cost trend rate and the foregoing assumptions, excluding the expected long-term rate of return on plan assets and average rate of compensation increase.

In accordance with PUB orders, Newfoundland Power expenses the cost of other post-employment benefits on a cash basis, whereby the difference between the cash payments during the year and the expense incurred in the year is deferred as a regulatory asset. Therefore, changes in assumptions cause changes in the regulatory asset and do not impact earnings. Other post-employment benefits costs deferred as a regulatory asset in 2009 totalled $5.6 million (2008 - $6.6 million) and the regulatory asset at December 31, 2009 was $46.7 million (2008 - $41.1 million).

Asset Retirement Obligations: The measurement of the fair value of asset retirement obligations ("AROs") requires the Company to make reasonable estimates about the method of settlement and settlement dates associated with legally obligated asset retirement costs. While the Company has AROs for its generation assets and certain distribution and transmission assets, there were no amounts recognized as at December 31, 2009 and December 31, 2008. The nature, amount and timing of AROs for hydroelectric generation assets cannot be reasonably estimated at this time as these assets are expected to effectively operate in perpetuity given their nature. In the event that environmental issues are identified or hydroelectric generation assets are decommissioned, AROs will be recorded at that time provided the costs can be reasonably estimated. It is management's judgment that identified AROs for its remaining assets are immaterial.

Revenue Recognition: The Company recognizes electricity revenue on an accrual basis. Customer bills are issued throughout the month based on meter readings that establish electricity consumption by the customer since the last meter reading. The unbilled revenue accrual for each period is based on estimated electricity sales to customers for the period since the last meter reading at the rates approved by the PUB. The development of the electricity sales estimates requires analysis of electricity consumption on a historical basis in relation to key inputs such as the current price of electricity, population growth, economic activity, weather conditions and electricity system losses. The estimation process for accrued unbilled electricity consumption will result in adjustments to electricity revenue in the period during which the difference between actual results and those estimated becomes known. As at December 31, 2009, the amount of accrued unbilled revenue was approximately $29.3 million (December 31, 2008 - $30.5 million).

SELECTED ANNUAL INFORMATION

($millions, except per share amounts)	2009	2008	2007[1]
Results of Operations			
Revenue	527.2	516.9	491.7
Net Earnings Applicable to Common Shares	32.6	32.3	29.9
Finance Position			
Total Assets	1,188.0	1,001.9	985.9
Total Long-term Liabilities	716.4	534.6	537.7
Shareholders' Equity	390.3	383.1	366.0
Per Share Data			
Earnings Applicable to Common Shares[2]	3.16	3.13	2.89
Common Dividends Declared[2]	2.44	1.48	0.88
Preferred Dividends Declared[3]	2.56	2.56	2.56

1 *Certain amounts have been reclassified to conform with the presentation for 2009.*
2 *Basic and fully diluted. Based on the weighted average number of common shares outstanding, which was 10,320,270 common shares in each year.*
3 *Based on the aggregate weighted average number of preference shares outstanding in each year, which was 911,098 in 2009 and 935,223 in both 2008 and 2007. In 2009, the Company repurchased 24,125 preference shares at $10 per share (2007 – 100 preference shares at $10 per share; no preference shares were repurchased in 2008).*

The changes from 2008 to 2009 have been discussed previously in this MD&A. The increase in net earnings from 2007 to 2008 was primarily the result of a 2.8% increase in customer rates which was effective January 1, 2008. The increase in total assets from 2007 to 2008 was due primarily to continued investment in the electricity system and is consistent with the Company's strategy to provide safe and reliable electricity service at the lowest reasonable cost. The increase in common dividends from 2007 to 2008 was to maintain a capital structure composed of approximately 45% common equity and 55% debt.

QUARTERLY RESULTS

	First Quarter March 31		Second Quarter June 30		Third Quarter September 30		Fourth Quarter December 31	
(unaudited)	2009	2008	2009	2008	2009	2008	2009	2008
Electricity Sales *(GWh)*	1,762.9	1,716.2	1,177.2	1,183.0	885.0	896.8	1,473.9	1,412.2
Revenue *($millions)*	169.7	164.9	118.1	118.9	92.9	94.1	146.5	139.0
Earnings Applicable to Common Shares *($millions)*	6.2	6.2	10.7	10.1	7.1	8.1	8.6	7.9
Earnings per Common Share *($)*[1]	0.60	0.60	1.04	0.98	0.68	0.79	0.84	0.76

1 *Basic and fully diluted.*

Seasonality

Sales and Revenue: Sales and revenue are significantly higher in the first quarter and significantly lower in the third quarter compared to the remaining quarters. This reflects the seasonality of electricity consumption for heating.

Earnings: Beyond the seasonality of electricity consumption for heating quarterly earnings are impacted by the purchased power rate structure. The Company pays more, on average, for each kilowatt hour ("kWh") of purchased power in the winter months and less, on average, for each kWh of purchased power in the summer months.

These sales, revenues and cost dynamics are expected to yield lower earnings in the first quarter compared to remaining quarters within any given year.

Trending

Sales and Revenue: Year-over-year quarterly electricity sales increases primarily reflect modest customer growth.

Earnings: Beyond the impact of expected moderate sales growth, future quarterly earnings and earnings per share are expected to trend with the ROE reflected in customer rates and rate base growth.

OUTLOOK

The Company's strategy will remain unchanged.

Newfoundland Power is regulated under a cost of service regime. Cost of service regulation entitles the Company to an opportunity to recover its reasonable cost of providing service, including its cost of capital, in each year. The PUB, through the Company's 2010 GRA, has provided Newfoundland Power with a reasonable opportunity to earn a ROE of 9.0% in 2010. Newfoundland Power expects to maintain its investment grade credit ratings in 2010.

Newfoundland Power is currently assessing the requirement to file an application with the PUB to recover expected increased costs in 2011.

Management Report

The accompanying 2009 Financial Statements of Newfoundland Power Inc. and all information in the 2009 Annual Report have been prepared by management, who are responsible for the integrity of the information presented, including the amounts that must, of necessity, be based on estimates and informed judgments. These Financial Statements were prepared in accordance with accounting principles generally accepted in Canada, including selected accounting treatments that differ from those used by entities not subject to rate regulation. Financial information contained elsewhere in the 2009 Annual Report is consistent with that in the Financial Statements.

In meeting its responsibility for the reliability and integrity of the Financial Statements, management has developed and maintains a system of accounting and reporting which provides for the necessary internal controls to ensure transactions are properly authorized and recorded, assets are safeguarded and liabilities are recognized. The systems of the Company focus on the need for training of qualified and professional staff and the effective communication of management guidelines and policies. The effectiveness of the internal controls of Newfoundland Power Inc. is evaluated on an ongoing basis.

The Board of Directors oversees management's responsibility for financial reporting through an Audit & Risk Committee which is composed entirely of external independent directors. The Audit & Risk Committee oversees the external audit of the Company's Annual Financial Statements and the accounting and financial reporting and disclosure processes and policies of the Company. The Audit & Risk Committee meets with management, the shareholders' auditors and the internal auditor to discuss the results of the audit, the adequacy of internal accounting controls and the quality and integrity of financial reporting. The Company's Annual Financial Statements are reviewed by the Audit & Risk Committee with each of management and the shareholders' auditors before the statements are recommended to the Board of Directors for approval. The shareholders' auditors have full and free access to the Audit & Risk Committee.

The Audit & Risk Committee has the duty to review the adoption of, and changes in, accounting principles and practices which have a material effect on the Company's financial statements and to review and report to the Board of Directors on policies relating to accounting and financial reporting and disclosure processes. The Audit & Risk Committee has the duty to review financial reports requiring the approval of the Board of Directors prior to submission to securities commissions or other regulatory authorities, to assess and review management's judgments that are material to reported financial information and to review shareholders' auditors' independence and auditors' fees.

The December 31, 2009 Financial Statements and Management Discussion and Analysis contained in the 2009 Annual Report were reviewed by the Audit & Risk Committee and, on their recommendation, were approved by the Board of Directors of Newfoundland Power Inc. Ernst & Young, LLP, independent auditors appointed by the shareholders of Newfoundland Power Inc. upon recommendation of the Audit & Risk Committee, have performed an audit of the 2009 Financial Statements and their report follows.

Earl Ludlow
President
and Chief Executive Officer

Jocelyn Perry
Vice President, Finance
and Chief Financial Officer

Auditors' Report

To the Shareholders,
Newfoundland Power Inc.

We have audited the balance sheets of Newfoundland Power Inc. ("the Company") as at December 31, 2009 and 2008 and the statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst + Young LLP

Chartered Accountants
St. John's, Canada

January 25, 2010

Statements of Earnings

For the years ended December 31

(in thousands of Canadian dollars except per share amounts)

	2009	2008
Revenue	$ 527,179	$ 516,889
Purchased power	345,656	336,658
Gross Margin	181,523	180,231
Operating expenses	49,315	47,132
Pension and early retirement program costs	2,673	3,040
Amortization	41,825	40,649
Amortization true-up deferral *(Note 4)*	3,862	3,862
Finance charges *(Note 5)*	34,555	33,507
	132,230	128,190
Earnings Before Income Taxes	49,293	52,041
Income taxes *(Note 6)*	16,092	19,146
Net Earnings	33,201	32,895
Preference share dividends	573	554
Net Earnings Applicable to Common Shares	$ 32,628	$ 32,341
Basic and Diluted Earnings per Common Share	$ 3.16	$ 3.13

Statements of Retained Earnings

For the years ended December 31

(in thousands of Canadian dollars)

	2009	2008
Balance, Beginning of the Year	$ 303,417	$ 286,350
Net earnings	33,201	32,895
Dividends		
Preference shares	(573)	(554)
Common shares	(25,181)	(15,274)
Balance, End of the Year	$ 310,864	$ 303,417

See accompanying notes to financial statements.

Balance Sheets

As at December 31

(in thousands of Canadian dollars)

	2009	2008 (restated - see Note 3)
Assets		
Current assets		
Cash	$ 5,308	$ 619
Accounts receivable	64,553	63,508
Regulatory assets *(Note 4)*	11,023	9,426
Materials and supplies	934	1,016
Prepaid expenses	1,376	1,292
Income taxes receivable	4,194	-
	87,388	75,861
Property, plant and equipment *(Note 7)*	787,218	758,812
Regulatory assets *(Note 4)*	197,783	55,988
Accrued pension *(Note 8)*	97,802	93,148
Intangible assets *(Note 9)*	16,113	16,145
Other assets *(Note 10)*	1,717	1,901
	$ 1,188,021	$ 1,001,855
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued charges	$ 65,727	$ 65,548
Regulatory liabilities *(Note 4)*	9,374	6,428
Current installments of long-term debt *(Note 12)*	5,200	4,550
Future income taxes *(Notes 2, 3 & 6)*	1,068	-
Income taxes payable	-	7,633
	81,369	84,159
Regulatory liabilities *(Note 4)*	69,207	54,817
Other post-employment benefits *(Note 8)*	46,713	41,074
Other liabilities *(Note 13)*	3,960	3,927
Future income taxes *(Notes 2, 3 & 6)*	122,426	1,184
Long-term debt *(Note 12)*	474,050	433,604
	$ 797,725	$ 618,765
Shareholders' equity		
Common shares *(Note 14)*	70,321	70,321
Preference shares *(Note 14)*	9,111	9,352
Retained earnings	310,864	303,417
	390,296	383,090
	$ 1,188,021	$ 1,001,855

Commitments *(Note 18)*

See accompanying notes to financial statements.

APPROVED ON BEHALF OF THE BOARD:

Jo Mark Zurel
Director

David Norris
Director

Statements of Cash Flows

For the years ended December 31

(in thousands of Canadian dollars)

	2009	2008
Cash From (Used In) Operating Activities		
Net earnings	$ 33,201	$ 32,895
Items not affecting cash		
Amortization of property, plant and equipment	38,935	37,547
Amortization of intangible assets and other	3,162	3,400
Change in regulatory assets and liabilities	691	305
Future income taxes	502	1,184
Employee future benefits	(4,416)	(4,471)
	72,075	70,860
Change in non-cash working capital	(12,695)	14,191
	59,380	85,051
Cash From (Used In) Investing Activities		
Capital expenditures	(71,267)	(64,959)
Intangible asset expenditures	(2,808)	(2,374)
Contributions from customers	4,575	3,054
Other	(107)	208
	(69,607)	(64,071)
Cash From (Used In) Financing Activities		
Repayment of committed credit facility	(18,500)	(1,000)
Proceeds from long-term debt	65,000	-
Repayment of long-term debt	(5,200)	(4,550)
Proceeds from related party loan	-	32,500
Repayment of related party loan	-	(32,500)
Payment of debt financing costs	(389)	(50)
Redemption of preference shares	(241)	-
Dividends		
Preference shares	(573)	(554)
Common shares	(25,181)	(15,274)
	14,916	(21,428)
Increase (Decrease) in Cash	4,689	(448)
Cash, Beginning of the Year	619	1,067
Cash, End of the Year	5,308	619
Cash Flows Include the Following Elements		
Interest paid	$ 34,468	$ 33,794
Income taxes paid	$ 25,057	$ 8,665

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2009

Tabular amounts are in thousands of Canadian dollars unless otherwise noted.

1. Description of the Business

Newfoundland Power Inc. (the "Company" or "Newfoundland Power") is a regulated electricity utility that operates an integrated generation, transmission and distribution system throughout the island portion of Newfoundland and Labrador. The Company is regulated by the Newfoundland and Labrador Board of Commissioners of Public Utilities (the "PUB") and serves over 239,000 customers comprising approximately 85% of all electricity consumers in the Province. The Company is a wholly-owned subsidiary of Fortis Inc. ("Fortis"). Newfoundland Power has an installed generating capacity of 140 megawatts ("MW"), of which approximately 97 MW is hydroelectric generation. It generates approximately 8% of its energy needs and purchases the remainder from Newfoundland and Labrador Hydro ("Hydro").

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). As a result of rate regulation, the timing of the recognition of certain assets, liabilities, revenues and expenses may differ from that otherwise expected under Canadian GAAP for entities not subject to rate regulation. These differences are disclosed below and in Note 4.

Regulation

The Company operates under cost of service regulation as administered by the PUB under the Public Utilities Act (Newfoundland and Labrador) ("Public Utilities Act").

The Public Utilities Act provides for the PUB's general supervision of the Company's utility operations and requires the PUB to approve, among other things, customer rates, capital expenditures and the issuance of securities. The Public Utilities Act also entitles the Company an opportunity to recover all reasonable and prudent costs incurred in providing electricity service to its customers, including a just and reasonable return on its rate base. The rate base consists of the net assets required by the Company to provide service to customers.

The determination of the forecast return on rate base, together with the forecast of all reasonable and prudent costs, establishes the revenue requirement upon which the Company's customer rates are determined through a general rate hearing. Rates are bundled to include generation, transmission and distribution services.

Between general rate hearings, customer rates are established annually through the operation of an automatic adjustment formula that sets an appropriate annual rate of return on rate base based upon changes in the forecast cost of common equity. The forecast cost of common equity reflected in customer rates for 2009 was 8.95% (2008 - 8.95%). As a result of the Company's 2010 General Rate Application ("GRA"), the forecast cost of common equity to be reflected in customer rates for 2010 is 9.00%. The Company's approved rate of return on rate base in 2010 is 8.23%, with a range of 8.05% to 8.41%.

Revenue Recognition

Revenue arising from the amortization of certain regulatory assets and liabilities is recognized in the manner prescribed by the PUB, as disclosed in Note 4. Otherwise, revenue is recognized under the accrual method when service is rendered.

Property, Plant and Equipment

Property, plant and equipment are stated at values approved by the PUB as at June 30, 1966, with subsequent additions at cost.

Contributions in aid of construction represent the cost of utility property, plant and equipment contributed by customers and government. These contributions are recorded as a reduction in the cost of utility property, plant and equipment.

The Company capitalizes certain overhead costs not directly attributable to specific property, plant and equipment but which do relate to its overall capital expenditure program (general expenses capitalized or "GEC"). The methodology for calculating and allocating GEC among classes of property, plant and equipment is established by PUB order. In the absence of rate regulation, only those overhead costs directly attributable to construction activity would be capitalized. In 2009, GEC totalled $3.0 million (2008 - $2.8 million).

The Company capitalizes an allowance for funds used during construction ("AFUDC"), which represents the cost of debt and equity financing incurred during construction of property, plant and equipment. AFUDC is calculated in a manner prescribed by the PUB based on a capitalization rate that is the Company's weighted average cost of capital. In 2009, the cost of equity financing capitalized as an AFUDC and deducted from financing charges was approximately $0.3 million (2008 - $0.3 million). In the absence of rate regulation, this cost of equity financing would be expensed.

Property, plant and equipment are amortized using the straight-line method by applying the amortization rates approved by the PUB and disclosed below to the average original cost, including GEC and AFUDC, of the related assets.

2. Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment (cont'd)

The composite amortization rates for the Company's property, plant and equipment, as well as their service life ranges and average remaining service lives as at December 31, follow.

	Composite Amortization Rate		Service Life (Years)			
			Range		Average Remaining	
	2009	2008	2009	2008	2009	2008
Distribution	3.1%	3.1%	16-65	16-65	23	23
Transmission and substations	2.9	2.9	31-65	31-65	26	26
Generation	2.6	2.6	13-75	13-75	32	32
Transportation and communications	8.9	8.9	5-30	5-30	5	5
Buildings	2.3	2.3	35-70	35-70	27	27
Equipment	9.0	9.0	5-25	5-25	5	5
	3.4%	3.4%				

The Company's amortization methodology, including amortization rates, accumulated amortization and estimated remaining service lives, is subject to periodic review by external experts (the "Amortization Study"). The differences between actual accumulated amortization and that indicated by the Amortization Study (the "Amortization True-Up") is deferred as a regulatory asset (liability), and is amortized as an increase (decrease) in amortization expense and included in customer rates in a manner prescribed by the PUB. See Note 4. The most recent Amortization Study, based on property, plant and equipment in service as at December 31, 2005, indicates an Amortization True-Up of approximately $0.7 million. The PUB ordered that it be amortized as a decrease in amortization expense equally over 2008 - 2011. The next amortization study, as ordered by the PUB pursuant to the 2010 GRA, will be based on property, plant and equipment in service as at December 31, 2009.

Upon disposition, the original cost of property, plant and equipment is removed from the asset accounts. That amount, net of salvage proceeds, is also removed from accumulated amortization. As a result, any gain or loss is charged to accumulated amortization and is effectively included in the Amortization True-Up arising from the next Amortization Study. In 2009, approximately $6.8 million (2008 - $6.8 million) of losses were charged to accumulated amortization. In the absence of rate regulation, these amounts would have been recognized as losses upon disposition.

Materials and Supplies

Materials and supplies, representing fuel and materials required for maintenance activities, are carried at the lower of cost or net realizable value. Materials and supplies expensed in 2009 and 2008 were immaterial.

Intangible Assets

Intangible assets are recorded at cost and amortized over their estimated useful lives on a straight-line basis. The weighted average amortization rates for intangible assets in 2009 were 10.0% for computer software (2008 – 10.0%) and 1.6% for land rights (2008 – 1.6%). There was no impact to the Company's financial statements as a result of intangible asset impairments for the years ended December 31, 2009 and 2008.

Future Income Taxes

Effective January 1, 1981, as prescribed by the PUB, future income tax liabilities are recognized and recovered in customer rates on temporary timing differences associated with the cumulative excess of capital cost allowance over amortization of property, plant and equipment, excluding GEC.

Effective January 1, 2008, as prescribed by the PUB, future income taxes are recognized and recovered in customer rates on temporary timing differences between pension expense and pension funding.

Future income tax expense (recovery) associated with the Company's regulatory reserves and certain regulatory deferrals is also recognized and included in the determination of customer rates. See Note 4.

Future income tax assets and liabilities associated with other temporary timing differences between the tax basis of assets and liabilities and their carrying amount are not recognized or included in customer rates. Effective January 1, 2009, the impact of the amendment to CICA Handbook Section 3465, *Income Taxes* is the recognition of future income tax assets and liabilities and related regulatory liabilities and assets for the amount of future income taxes expected to be refunded to, or recovered from, customers in future electricity rates. See Note 3.

Employee Future Benefits

Newfoundland Power maintains defined contribution and defined benefit pension plans for its employees and also provides other post-employment benefits ("OPEBs"). OPEBs are composed of retirement allowances for retiring employees as well as health, medical and life insurance for retirees and their dependants.

Defined Contribution and Defined Benefit Pension Plans

Defined contribution pension plan costs are expensed as incurred.

The pension costs and accrued benefit obligations of the defined benefit pension plans are actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. Pension plan assets are valued using the market-related value where investment returns in excess of or below expected returns are recognized in asset value over a period of three years. The excess of the cumulative net actuarial gain or loss over 10% of the greater of the benefit obligation and the market-related value of plan assets is amortized over the estimated average remaining service period of active employees. The transitional obligation arising from the Company's January 1, 2000 adoption of Section 3461 of the CICA Handbook is being amortized on a straight-line basis over the 18 year expected average remaining service period of plan members at that time. Unamortized past service costs are amortized over a range of 5 - 15 years. See Notes 4 and 8.

2. Summary of Significant Accounting Policies (cont'd)

Defined Contribution and Defined Benefit Pension Plans (cont'd)

Effective January 1, 2010, pursuant to the 2010 GRA, the PUB ordered the creation of a pension expense variance deferral account ("PEVDA"). This account will be charged or credited with the amount by which annual pension expense, recorded in accordance with Canadian GAAP, differs from amounts approved in rates by the PUB. Each year, at March 31, the balance in the PEVDA will be transferred to the Company's Rate Stabilization Account and disposed of in accordance with the operation of the Rate Stabilization Account. See Note 4.

Other Post-Employment Benefits ("OPEBs")

OPEBs costs are expensed when benefits are paid. In the absence of rate regulation, OPEBs costs would be expensed on an accrual basis as actuarially determined. The portion of the actuarially determined costs that is not recognized as an expense is deferred as a regulatory asset, as these costs are expected to be recovered in future customer rates in a manner determined by the PUB. See Note 4.

OPEBs costs and the accrued OPEBs obligation are actuarially determined using the projected benefits method prorated on service and best estimate assumptions. The excess of any cumulative net actuarial gain or loss over 10% of the benefit obligation, along with unamortized past service costs is amortized over the estimated average remaining service period of active employees. The transitional obligation arising from the Company's January 1, 2000 adoption of Section 3461 of the CICA Handbook is being amortized on a straight-line basis over the 18 year expected average remaining service period of plan members at that time. See Note 8.

In the absence of rate regulation, OPEBs costs recognized in 2009 operating expenses would have been $5.6 million higher (2008 - $6.5 million higher).

Financial Instruments

The Company has designated its financial instruments as follows:

(a) Cash is classified as "Held for Trading". After its initial fair value measurement, any change in fair value is recognized in earnings.
(b) Certain accounts receivable and loans under customer finance plans (Note 10) are classified as "Loans and Receivables".
(c) Short-term borrowings, bank indebtedness, accounts payable and accrued charges, security deposits (Note 13) and long-term debt are classified as "Other Financial Liabilities".

Initial measurement of Loans and Receivables and Other Financial Liabilities are at fair value and incorporates transaction costs, including debt issue costs. Subsequent measurement is at amortized cost using the effective interest method. For the Company, the measurement amount approximates cost.

Asset Retirement Obligations

Under Canadian GAAP, the Company is required to record the fair value of future expenditures necessary to settle legal obligations associated with asset retirements even though the timing or method of settlement is conditional on future events. Newfoundland Power has determined that there are asset retirement obligations ("AROs") associated with its hydroelectric generation assets and some parts of its transmission and distribution system.

For hydroelectric generation assets, the legal obligation is the environmental remediation of the land and waterways to protect fish habitat. However, this obligation is conditional on the decision to decommission generation assets. The Company currently has no plans to decommission any of its hydroelectric generation assets as they are effectively operated in perpetuity. Therefore, the nature and fair value of any ARO is not currently determinable.

The legal obligations for the transmission and distribution system pertain to the proper disposal of used oil and obligations related to other Company facilities consist of the removal of fuel storage tanks and asbestos. These obligations were determined to be immaterial and therefore no AROs have been recognized.

The Company will recognize AROs and offsetting property, plant and equipment if the nature and timing can reasonably be determined and the amount is material.

Use of Accounting Estimates

The preparation of financial statements in accordance with Canadian 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 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 are necessary since the regulatory environment in which the Company operates often require 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 involved in making estimates, actual results may differ significantly from current estimates. Estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period in which they either, as appropriate, become known or included in customer rates.

3. Change in Accounting Policies

2009 Changes

Rate Regulated Operations: Effective January 1, 2009, the Accounting Standards Board ("AcSB") amended: (i) CICA Handbook Section 1100, *Generally Accepted Accounting Principles* ("Section 1100"), removing the temporary exemption providing relief to entities subject to rate regulation from the requirement to apply the Section to the recognition and measurement of assets and liabilities arising from rate regulation; and (ii) CICA Handbook Section 3465, *Income Taxes* ("Section 3465") to require the recognition of future income tax liabilities and assets as well as offsetting regulatory assets and liabilities by entities subject to rate regulation.

3. Change in Accounting Policies (cont'd)

2009 Changes (cont'd)

(i) With the removal of the temporary exemption in Section 1100, the Company must now apply this Section to the recognition of assets and liabilities arising from rate regulation. Certain assets and liabilities arising from rate regulation continue to have specific guidance under a primary source of Canadian GAAP that applies only to the particular circumstances described therein, including those arising under CICA Handbook Section 3061, *Property, Plant and Equipment*, Section 3465, *Income Taxes*, and Section 3475, *Disposal of Long-Lived Assets and Discontinued Operations*. The assets and liabilities arising from rate regulation, as described in Note 4 do not have specific guidance under a primary source of Canadian GAAP. Therefore, Section 1100 directs the Company to adopt accounting policies that are developed through the exercise of professional judgment and the application of concepts described in CICA Handbook Section 1000, *Financial Statement Concepts*. In developing these accounting policies, the Company may consult other sources including pronouncements issued by bodies authorized to issue accounting standards in other jurisdictions. In accordance with Section 1100, the Company has determined that its regulatory assets and liabilities qualify for recognition under Canadian GAAP and this recognition is consistent with U.S. Financial Accounting Standard Board's Accounting Standard Codification 980, *Regulated Operations*. There was no effect on the Company's financial statements as at January 1, 2009 due to the removal of the temporary exemption in Section 1100.

(ii) The impact of the amendment to Section 3465 is the recognition of future income tax assets and liabilities and related regulatory liabilities and assets for the amount of future income taxes expected to be refunded to, or recovered from, customers in future electricity rates. In accordance with the revised standard, as at January 1, 2009, the Company's future income tax liability increased by approximately $118 million with a corresponding net change to regulatory assets and liabilities of approximately $118 million. Included in the amounts are the future income tax effects of the subsequent settlement of the related regulatory assets and liabilities through future customer rates. This change does not affect the Company's earnings or cash flows.

Goodwill and Intangible Assets: Effective January 1, 2009, the Company adopted the new CICA Handbook Section 3064, *Goodwill and Intangible Assets*, which effectively converges Canadian GAAP for goodwill and intangible assets with International Financial Reporting Standards. Adoption of this standard resulted in the reclassification of certain assets previously included in property, plant and equipment to intangible assets. The items that were reclassified consist of certain computer software and land rights. As at December 31, 2008, $13.8 million and $2.3 million were reclassified to intangible assets on the balance sheet related to computer software and land rights, respectively.

Future Changes

International Financial Reporting Standards ("IFRS"): In February 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In October 2009, the AcSB issued a third and final Omnibus Exposure Draft confirming that publicly accountable enterprises in Canada will be required to apply IFRS, in full and without modification, beginning January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the

Company for the year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010. The AcSB requires that CICA Handbook Section 1506, *Accounting Changes*, paragraph 30, which requires an entity to disclose information relating to a new primary source of Canadian GAAP that has been issued but is not yet effective and that the entity has not applied, not be applied with respect to this Exposure Draft. Newfoundland Power is continuing to assess the financial reporting impacts of adopting IFRS.

In July 2009, the IASB issued the Exposure Draft – *Rate Regulated Activities*, with a final standard expected to be issued in the second quarter of 2010. Based on the Exposure Draft as it currently exists, regulatory assets and liabilities arising from activities subject to cost of service regulation can be recognized under IFRS when certain conditions are met. The ability to record regulatory assets and liabilities, as proposed, should reduce the earnings' volatility for the Company that may have otherwise resulted under IFRS in the absence of an accounting standard for rate regulated activities. However, uncertainty as to the final outcome of this Exposure Draft, and the final standard on accounting for rate regulated activities under IFRS, has resulted in the Company being unable to reasonably estimate and conclude on the impact on the Company's future financial position and results of operations with respect to differences, if any, in accounting for rate regulated activities under IFRS versus Canadian GAAP.

Newfoundland Power does anticipate a significant increase in disclosure resulting from the adoption of IFRS, and is identifying and assessing the additional disclosure requirements, as well as implementing systems changes that will be necessary to compile the required disclosures.

4. Regulatory Assets and Liabilities

Regulatory assets and liabilities arise as a result of the rate setting process. Regulatory assets represent future revenues associated with certain costs incurred in the current or prior periods that will be, or are expected to be, recovered from customers in future periods through the rate setting process. Regulatory liabilities represent future reductions or limitations of increases in revenues associated with amounts that will be, or are expected to be, refunded to customers through the rate setting process. The accounting methods underlying regulatory assets and liabilities, and their eventual settlement through the rate setting process, are prescribed by the PUB and impact the Company's cash flows.

4. Regulatory Assets and Liabilities (cont'd)

The Company's regulatory assets and liabilities which will be, or are expected to be, reflected in customer rates in future periods, follow.

	2009		2008	
	Current	Non-current	Current	Non-current
Regulatory Assets				
Rate stabilization account *(i)*	$ -	$ 1,836	$ 2,486	$ 4
OPEBs *(Note 8)*	-	46,713	-	41,074
Weather normalization account *(ii)*[1]	2,102	3,929	1,366	4,544
Amortization true-up deferral *(iii)*	3,862	-	3,862	3,862
Pension deferral *(iv)*	1,128	4,793	1,128	5,920
Replacement energy deferral *(v)*[1]	600	-	383	383
Deferred GRA costs *(vi)*	451	500	201	201
Conservation and demand management deferral *(vii)*	339	1,018	-	-
Future income taxes *(Note 3)*	2,541	138,994	-	-
	$ 11,023	$ 197,783	$ 9,426	$ 55,988
Regulatory Liabilities				
Rate stabilization account *(i)*	$ 418	$ -	$ -	$ -
Municipal tax liability *(viii)*	1,363	-	1,363	1,364
Unbilled revenue *(ix)*	4,618	-	4,618	4,618
Purchased power unit cost variance reserve *(x)*[1]	688	-	447	448
Future removal and site restoration provision *(xi)*	-	48,660	-	47,961
Demand management incentive account *(xii)*	-	-	-	426
Future income taxes *(Note 3)*	2,287	20,547	-	-
	$ 9,374	$ 69,207	$ 6,428	$ 54,817

[1] *Balances in 2009 include future income taxes. Balances in 2008 were recorded net of future income taxes.*

(i) Rate Stabilization Account ("RSA")

On July 1 of each year, customer rates are recalculated in order to recover from or refund to customers, over the subsequent twelve months, the balance in the RSA as of March 31 of the current year. The amount and timing of the recovery or refund is subject to PUB approval.

The RSA passes through to the Company's customers amounts primarily related to changes in the cost and quantity of fuel used by Hydro to produce the electricity sold to the Company. In the absence of rate regulation these transactions would be accounted for in a similar manner however the amount and timing of the recovery or refund would not be subject to PUB approval.

The RSA passes through, to the Company's customers, variations in purchased power expense caused by differences between the actual unit cost of energy and that reflected in customer rates ("energy supply cost variance"). The marginal cost of purchased power for the Company currently exceeds the average cost that is embedded in customer rates. To the extent actual electricity sales in any period exceed forecast electricity sales used to set customer rates, marginal purchased power expense will exceed related revenue. In the absence of rate regulation, purchased power expense would have been $2.9 million higher (2008 - $0.4 million lower). Pursuant to the 2010 GRA, the PUB ordered continued use of the energy supply cost variance until a further order of the Board.

The RSA is also adjusted from time-to-time by other amounts as approved by the Board. In 2008, the Company included an amount to the demand management incentive account as described in (xii) below.

Effective January 1, 2010, the PUB approved the PEVDA as described in Note 2 to capture the difference between the annual pension expense approved for rate setting purposes and actual pension expense calculated in accordance with Canadian GAAP. The balance in this account will be transferred to the RSA on March 31 in the year in which the difference arises.

(ii) Weather Normalization Account

The weather normalization account reduces earnings volatility by adjusting purchased power expense and electricity sales revenue to eliminate variances in purchases and sales caused by the difference between normal weather conditions, based on long-term averages, and actual weather conditions. In the absence of rate regulation these fluctuations would have been recognized in earnings in the period in which they occurred.

The balance in the weather normalization account, because it is based on long-term averages for weather conditions, should tend to zero over time. However, the Company identified non-reversing balances in the account arising from changes in purchased power rates and income tax rates. In 2008, the PUB ordered that a non-reversing balance of approximately $6.8 million be amortized equally over 2008 - 2012 as an increase in purchased power expense of approximately $2.1 million and a decrease in future income tax expense of approximately $0.7 million in each year.

The recovery period for the remaining balance in the Weather Normalization Account is not determinable as it depends on future weather conditions. In the absence of rate regulation, revenue in 2009 would have been $5.8 million lower (2008 - $7.6 million lower), purchased power expense in 2009 would have been $8.8 million lower (2008 - $14.6 million lower) and future income tax expense in 2009 would have been $1.0 million higher (2008 - $2.4 million higher).

4. Regulatory Assets and Liabilities (cont'd)

(iii) Amortization True-Up Deferral

The PUB ordered the deferred recovery of approximately $5.8 million in each of 2006 and 2007, $11.6 million in aggregate, related to a variance in accumulated amortization identified in the 2002 Amortization Study. These deferrals were recorded as an increase in regulatory assets and a decrease in expenses of $5.8 million in each year. Amortization of $3.9 million was recorded in 2009 and 2008 in accordance with the PUB order that the resultant regulatory asset of approximately $11.6 million be amortized evenly over 2008 through 2010. In the absence of rate regulation, $11.6 million would have been expensed in the original years incurred.

(iv) Pension Deferral

The PUB ordered that approximately $11.3 million of incremental pension costs arising from the Company's 2005 early retirement program be deferred and amortized to pension expense equally over a ten year period beginning April 1, 2005. In the absence of rate regulation, these costs would have been expensed in 2005.

(v) Replacement Energy Deferral

In 2008, the PUB ordered that a $1.1 million regulatory asset, related to the deferred recovery of the cost of replacement energy purchased during the refurbishment of the Company's Rattling Brook Hydroelectric Generating Plant, be amortized equally over 2008 – 2010. This increased purchased power expense by approximately $0.6 million and decreased future income tax expense by approximately $0.2 million in each year. In the absence of rate regulation, these costs would have been expensed in 2007.

(vi) Deferred GRA Costs

In 2007, the PUB ordered that external costs related to the Company's 2008 GRA be deferred and amortized evenly over 2008 – 2010 as an increase to operating expense. The actual external costs totalled $0.6 million. In the absence of rate regulation, these costs would have been expensed as incurred.

In 2009, the PUB ordered that an estimated $0.8 million of external costs related to the Company's 2010 GRA be deferred and amortized equally over 2010-2012. In the absence of rate regulation, these costs would have been expensed in 2009.

(vii) Conservation and Demand Management Deferral

In 2009, the PUB ordered the deferral of $1.4 million of costs, associated with the implementation of conservation and demand management programs. In 2009, the PUB ordered that these costs be amortized evenly over 2010 – 2013 as an increase to operating expense. In the absence of rate regulation, these costs would have been expensed in 2009.

(viii) Municipal Tax Liability

The municipal tax liability results from a timing difference related to the recovery and payment of municipal taxes. This arose as a result of the PUB approved municipal tax rate adjustment. The PUB ordered that this liability be amortized as other revenue equally over 2008 - 2010. In the absence of rate regulation, these costs would have been recorded as revenue as incurred.

(ix) Unbilled Revenue

Prior to January 1, 2006, revenue from electricity sales was recognized as bills were rendered to customers. Subsequent to this date, revenue is recognized on an accrual basis. The difference between revenue recognized on a billed basis and revenue recognized on an accrual basis as at December 31, 2005 was recorded on the balance sheet as a regulatory liability. As ordered by the PUB, the Company amortized as an increase to revenue approximately $4.6 million of this regulatory liability in 2009 (2008 - $7.2 million). The remaining unamortized balance at December 31, 2009 will be amortized in 2010. In the absence of rate regulation, all the unbilled revenue would have been recognized as revenue during 2005.

(x) Purchased Power Unit Cost Variance Reserve

In 2008, the PUB ordered the discontinuance of the purchased power unit cost variance reserve and that the December 31, 2006 balance in the reserve of approximately $1.3 million be amortized over 2008 – 2010 as a decrease to purchased power. In 2008, the PUB ordered that the balance in the account related to 2008 be transferred to the RSA. In the absence of rate regulation, the balance in the account would have been expensed as incurred.

(xi) Future Removal and Site Restoration Provision

This regulatory liability represents amounts collected in customer electricity rates over the life of certain property, plant and equipment which are attributable to removal and site restoration costs that are expected to be incurred in the future. Actual removal and site restoration costs, net of salvage proceeds, are recorded against the regulatory liability when incurred. The regulatory liability represents the amount of expected future removal and site restoration costs associated with property, plant and equipment in service as at December 31, calculated using current amortization rates as approved by the PUB. In the absence of rate regulation, removal and site restoration costs, net of salvage proceeds, would have been recognized as an operating expense when incurred.

(xii) Demand Management Incentive Account ("DMI")

Through the DMI, variations in the unit cost of purchased power related to demand are limited, at the discretion of the PUB, to 1% of demand costs reflected in customer rates. In 2008, $0.4 million was transferred to this account. The PUB ordered the disposition of this balance, adjusted for income taxes, through the RSA effective July 1, 2009. The disposition of any future balances in this account, which would be determined by a further order of the PUB, will consider the merits of the Company's conservation and demand management activities. In the absence of rate regulation, purchased power expense would have been $0.6 million lower in 2008 and would have had no impact in 2009.

5. Finance Charges

	2009	2008
Interest - first mortgage sinking fund bonds	$ 34,547	$ 32,334
Interest - committed credit facility	396	1,187
Interest - related party loan	-	258
Interest - other	15	49
Total interest expense	34,958	33,828
Amortization - debt issue costs	235	235
Amortization - capital stock issue costs	37	62
AFUDC *(Note 2)*	(675)	(618)
	$ 34,555	$ 33,507

6. Income Taxes

Income taxes vary from the amount that would be determined by applying statutory income tax rates to pre-tax earnings. A reconciliation of the combined federal and provincial statutory income tax rate to the Company's effective income tax rate follows.

	2009	2008
Accounting income per financial statements	$ 49,293	$ 52,041
Statutory tax rate	33.0%	33.5%
Expected tax expense *(statutory rate)*	16,267	17,434
Item capitalized vs. expensed	(1,003)	(926)
Capital cost allowance vs. amortization	1,113	1,088
Pension funding vs. pension expense	232	(162)
Other timing difference	(276)	265
Unbilled revenue	(1,524)	102
Regulatory deferrals	1,283	1,345
Income tax expense	$ 16,092	$ 19,146
Effective tax rate	32.6%	36.8%

The composition of the Company's income tax provision follows.

	2009	2008
Current income tax expense	$ 15,590	$ 20,346
Future income tax expense *(recovery)*	3,382	(1,200)
Regulatory adjustment *(Note 3)*	(2,880)	-
	$ 16,092	$ 19,146

Pursuant to a settlement agreement with the Canada Revenue Agency, current income taxes in 2008 included approximately $2.5 million related to the Company's January 1, 2006 adoption of the accrual method of revenue recognition for income tax purposes. Current income taxes for 2009 onwards are not affected by this agreement.

	2009	2008
Future income tax liability		
Property, plant and equipment/intangibles	$ 78,011	$ 575
Regulatory assets and liabilities	24,768	-
Employee future benefits	19,575	609
Debt financing costs	1,140	-
Net future income tax liability	$ 123,494	$ 1,184
Current future income tax liability	1,068	-
Long-term future income tax liability	122,426	1,184
Net future income tax liability	$ 123,494	$ 1,184

As at December 31, 2009, the Company had no capital losses (2008 - $0.2 million) carried forward which have not been recognized in the financial statements.

7. Property, Plant and Equipment

	Cost		Accumulated Amortization		Net Book Value	
	2009	2008	2009	2008	2009	2008
Distribution	$ 718,921	$ 690,675	$ 261,404	$ 248,543	$ 457,517	$ 442,132
Transmission and substations	234,154	221,985	88,199	84,812	145,955	137,173
Generation	168,087	159,498	49,478	45,639	118,609	113,859
Transportation and communications	33,426	33,056	16,710	16,163	16,716	16,893
Land, buildings and equipment	68,553	69,718	27,362	27,464	41,191	42,254
Construction in progress	2,967	2,126	-	-	2,967	2,126
Construction materials	4,263	4,375	-	-	4,263	4,375
	$1,230,371	$1,181,433	$ 443,153	$ 422,621	$ 787,218	$ 758,812

Distribution assets are used to distribute low voltage electricity to customers and include poles, towers and fixtures, low voltage wires, transformers, overhead and underground conductors, street lighting, metering equipment and other related equipment.

Transmission and substations assets are used to transmit high voltage electricity to distribution assets and include poles, high voltage wires, switching equipment, transformers and other related equipment.

Generation assets are used to generate electricity and include hydroelectric and thermal generating stations, gas and combustion turbines, dams, reservoirs and other related equipment.

Transportation and communications assets include vehicles as well as telephone, radio and other communications equipment.

7. Property, Plant and Equipment (cont'd)

Land, buildings and equipment are used generally in the provision of electricity service but not specifically in the distribution, transmission or generation of electricity or specifically related to transportation and communication activities.

8. Employee Future Benefits

The Company's defined contribution plans are its individual and group registered retirement savings plans, and an unfunded supplementary employee retirement plan ("SERP"). Benefits are based upon employee earnings. The accrued benefit liability for the SERP is included in other liabilities on the Company's balance sheets (Note 13). During 2009, the Company expensed approximately $1.2 million (2008 - $1.0 million) related to these plans.

The Company's defined benefit plans are its funded defined benefit pension plan, an unfunded pension uniformity plan ("PUP") and OPEBs. Both pension plans are closed to new entrants and provide benefits based on a percentage of the highest 36 consecutive months average base earnings and the employee's years of service.

The accrued benefit obligation for all of the Company's defined benefit plans, and the market-related value of plan assets for the Company's funded primary defined benefit pension plan, are measured for accounting purposes as at December 31 of each year.

The most recent actuarial valuation of the Company's defined benefit pension plans for funding purposes was as of December 31, 2008 and the next valuation is expected to be as of December 31, 2011. The most recent actuarial valuation of the Company's OPEBs was December 31, 2008.

The accrued benefit asset for the Company's funded primary defined benefit pension plan is included in accrued pension on the Company's balance sheets. The accrued benefits liability for the PUP is included in other liabilities (Note 13).

Details of the Company's defined benefit plans follow.

	2009			2008		
		Unfunded			Unfunded	
	Funded	PUP	OPEB	Funded	PUP	OPEB
Change in accrued benefit obligation						
Balance, beginning of year	$190,391	$ 2,169	$ 59,636	$235,477	$ 2,558	$ 70,411
Current service costs	3,420	-	1,008	4,844	-	1,384
Interest cost	13,923	154	4,485	12,740	135	3,901
Benefits paid	(12,131)	(215)	(1,304)	(12,926)	(215)	(1,175)
Plan amendments	-	-	1,004	-	-	-
Actuarial (gains) losses	26,333	210	4,838	(49,744)	(309)	(14,885)
Balance, end of year	$221,936	$ 2,318	$69,667	$190,391	$ 2,169	$ 59,636
Change in fair value of plan assets						
Balance, beginning of year	$212,599	$ -	$ -	$259,731	$ -	$ -
Return on assets	17,386	-	-	19,169	-	-
Benefits paid	(12,131)	(215)	(1,304)	(12,926)	(215)	(1,175)
Actuarial (losses) gains	18,725	-	-	(59,993)	-	-
Employee contributions	1,286	-	-	1,193	-	-
Employer contributions	4,866	215	1,304	5,425	215	1,175
Balance, end of year	$242,731	$ -	$ -	$212,599	$ -	$ -
Funded status						
Surplus (deficit), end of year	$ 20,795	$ (2,318)	$ (69,667)	$ 22,209	$ (2,169)	$ (59,636)
Unamortized net actuarial loss	64,376	474	11,093	56,768	269	6,277
Unamortized transitional obligation	10,297	373	10,857	11,584	419	12,285
Unamortized past service costs	2,334	1	1,004	2,587	1	-
Accrued benefit asset (liability), end of year	$ 97,802	$ (1,470)	$ (46,713)	$ 93,148	$ (1,480)	$ (41,074)
Effect of 1% increase in health care cost trends on:						
Accrued benefit obligation	-	-	$ 9,439	-	-	$ 8,319
Service costs and interest cost	-	-	$ 830	-	-	$ 1,013
Effect of 1% decrease in health care cost trends on:						
Accrued benefit obligation	-	-	$ (7,606)	-	-	$ (6,707)
Service costs and interest cost	-	-	$ (655)	-	-	$ (808)

8. Employee Future Benefits (cont'd)

	2009			2008		
		Unfunded			Unfunded	
	Funded	PUP	OPEB	Funded	PUP	OPEB
Significant assumptions						
Discount rate during year	7.50%	7.50%	7.50%	5.50%	5.50%	5.50%
Discount rate as at December 31	6.50%	6.50%	6.70%	7.50%	7.50%	7.50%
Expected long-term rate of return on plan assets	7.00%	-	-	7.50%	-	-
Rate of compensation increases	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Health care cost trend increases as at December 31	-	-	4.50%	-	-	4.50%
Expected average remaining service of active employees	11 years	11 years	14 years	12 years	12 years	15 years
Net benefit expense						
Current service costs	$ 2,134	$ -	$ 1,008	$ 3,651	$ -	$ 1,384
Interest cost	13,923	154	4,485	12,740	135	3,901
Expected return on plan assets	(17,386)	-	-	(19,169)	-	-
Amortization of transition obligation	1,287	47	1,428	1,287	47	1,428
Amortization of net actuarial loss	-	5	22	1,911	28	1,009
Amortization of past service costs	253	-	-	335	-	-
Regulatory adjustment *(Note 4)*	1,128	-	(5,639)	1,128	-	(6,547)
Net benefit expense	$ 1,339	$ 206	$ 1,304	$ 1,883	$ 210	$ 1,175
Asset allocation						
Fixed income	40%	-	-	48%	-	-
Equities	40%	-	-	32%	-	-
Foreign equities	20%	-	-	20%	-	-

9. Intangible Assets

	Cost		Accumulated Amortization		Net Book Value	
	2009	2008	2009	2008	2009	2008
Computer software	$ 30,533	$ 30,988	$ 16,892	$ 17,193	$ 13,641	$ 13,795
Land rights	6,754	6,645	4,282	4,295	2,472	2,350
	$ 37,287	$ 37,633	$ 21,174	$ 21,488	$ 16,113	$ 16,145

10. Other Assets

	2009	2008
Customer finance plans	$ 1,679	$ 1,776
Capital stock issue costs	38	75
Credit facility costs	-	50
	$ 1,717	$ 1,901

Customer finance plans represent the non-current portion of loans to customers for certain new service requests and energy efficiency upgrades. The current portion of these loans is classified as accounts receivable. In the case of new service requests, and as prescribed by the PUB, interest is charged at a fixed rate of prime plus 3% for repayment periods up to 60 months and prime plus 4% for repayment periods of 61 months to 120 months. In the case of energy efficiency upgrades, interest is charged at a fixed rate of prime plus 4% for a maximum repayment period of 60 months. All loan instalments are made through the customers' monthly electricity bill payments. The balance of any loan may be repaid at any time without penalty.

11. Credit Facilities

Newfoundland Power has unsecured bank credit facilities of $120 million comprised of a syndicated $100 million committed revolving term credit facility which matures on August 29, 2011 and a $20 million demand facility.

Borrowings under the committed facility have been classified as long-term as they are expected to remain outstanding for a period extending beyond one year from the balance sheet date and management intends to refinance these amounts in the future with the issuance of other long-term debt. These borrowings are in the form of bankers acceptances bearing interest based on the daily Canadian Deposit Offering Rate for the date of borrowing plus a stamping fee. Standby fees on the unutilized portion of the committed facility are payable quarterly in arrears at a fixed rate of 0.10%. Interest on the demand facility is calculated at the daily prime rate and is payable monthly in arrears.

The utilized and unutilized credit facilities as at December 31 follow.

	2009	2008
Total credit facilities	$ 120,000	$ 120,000
Borrowings under committed facility *(Note 12)*	(13,500)	(32,000)
Credit facilities available	$ 106,500	$ 88,000

12. Long-term Debt

	2009	2008
First mortgage sinking fund bonds		
10.550% $40 million Series AD, due 2014	$ 30,553	$ 30,953
10.900% $40 million Series AE, due 2016	32,800	33,200
10.125% $40 million Series AF, due 2022	33,200	33,600
9.000% $40 million Series AG, due 2020	34,000	34,400
8.900% $40 million Series AH, due 2026	34,835	35,235
6.800% $50 million Series AI, due 2028	44,500	45,000
7.520% $75 million Series AJ, due 2032	69,750	70,500
5.441% $60 million Series AK, due 2035	57,000	57,600
5.901% $70 million Series AL, due 2037	67,900	68,600
6.606% $65 million Series AM, due 2039	64,350	-
Long-term classification of credit facilities *(Note 11)*	13,500	32,000
	482,388	441,088
Less: current installments of long-term debt	5,200	4,550
	477,188	436,538
Less: debt issue costs	3,138	2,934
	$ 474,050	$ 433,604

In 2009, the Company issued $65 million in Series AM first mortgage sinking fund bonds. The bonds were issued with a 30-year term at an interest rate of 6.606%.

First mortgage sinking fund bonds are secured by a first fixed and specific charge on property, plant and equipment owned or to be acquired by the Company and by a floating charge on all other assets. They require an annual sinking fund payment of 1% of the original principal balance.

Future payments required to meet sinking fund instalments, maturities of long-term debt and long-term credit facilities follow.

2010	$ 5,200,000
2011	$ 18,700,000
2012	$ 5,200,000
2013	$ 5,200,000
2014	$ 33,753,000
2015 and after	$ 414,335,000

13. Other Liabilities

	2009	2008
Defined benefit pension liability - unfunded *(Note 8)*	$ 1,470	$ 1,480
Security deposits	581	785
Defined contribution pension liability *(Note 8)*	1,909	1,662
	$ 3,960	3,927

Security deposits are advance cash collections from certain customers to guarantee the payment of electricity bills. The security deposit liability includes interest credited to customer deposits. The current portion of security deposits is reported in accounts payable and accrued charges.

14. Capital Stock

Authorized

(a) an unlimited number of Class A and Class B Common Shares without nominal or par value. The shares of each class are inter-convertible on a share-for-share basis and rank equally in all respects including dividends. The Board of Directors may provide for the payment, in whole or in part, of any dividends to Class B shareholders by way of a stock dividend;

(b) an unlimited number of First Preference Shares and Second Preference Shares without nominal or par value, except that each Series A, B, D and G First Preference Share has a par value of $10. The issued First Preference Shares are entitled to cumulative preferential dividends and are redeemable at the option of the Company at a premium not in excess of the annual dividend rate. Series D and G First Preference Shares are subject to the operation of purchase funds and the Company has the right to purchase limited amounts of these shares at or below par.

Issued

	2009		2008	
	Number of Shares	Amount	Number of Shares	Amount
Class A common shares	10,320,270	$ 70,321	10,320,270	$ 70,321
First preference shares				
5.50% Series A	179,225	1,792	179,225	1,792
5.25% Series B	337,983	3,380	337,983	3,380
7.25% Series D	210,890	2,109	212,065	2,121
7.60% Series G	183,000	1,830	205,950	2,059
	911,098	$ 9,111	935,223	$ 9,352

At December 31, 2009, Fortis held 230,194 or approximately 25.3% of the Company's issued and outstanding First Preference Shares.

15. Related Party Transactions

The Company provides services to, and receives services from, its parent Company, Fortis, and other affiliates. The Company also incurs charges from Fortis for the recovery of general corporate expenses incurred by Fortis. Related party revenue primarily relates to electricity sales. These transactions are in the normal course of business and are recorded at their exchange amounts.

15. Related Party Transactions (cont'd)

Related party transactions included in revenue, operating expenses and finance charges in 2009 and 2008, and in accounts receivable at December 31 of these years, follow.

	2009		2008	
	Fortis	Other Affiliates	Fortis	Other Affiliates
Revenue	$ 181	$ 4,313	$ 173	$ 4,052
Operating expenses	1,561	68	1,352	93
Finance charges	-	-	258	-
Accounts receivable	$ 52	$ 26	$ 31	$ 132

16. Capital Management

Newfoundland Power's primary objectives when managing capital are (i) to ensure continued access to capital at reasonable cost, and (ii) to provide an adequate return to its common shareholder commensurate with the level of risk associated with the shareholder's investment in the Company.

The Company requires ongoing access to capital because its business is capital intensive. Capital investment is required to ensure continued and enhanced performance, reliability and safety of its electricity systems and to meet customer growth.

The Company operates under cost of service regulation. The cost of capital is ultimately borne by its customers. Access to capital at reasonable cost is a core aspect of the Company's business strategy, which is to operate a sound electricity system and to focus on the safe and reliable delivery of electricity service to its customers in the most cost-efficient manner possible.

The capital managed by the Company is composed of debt (first mortgage sinking fund bonds, bank credit facilities and cash/bank indebtedness), common equity (common shares and retained earnings) and preference equity.

The Company has historically generated sufficient cash flows from operating activities to service interest and sinking fund payments on debt, to pay dividends and to finance a major portion of its capital expenditure programs. Additional financing to fully fund capital expenditure programs is obtained through the Company's credit facilities and these borrowings are periodically refinanced along with any maturing bonds through the issuance of additional bonds. These basic cash flow and capital management dynamics are consistent with previous periods and are currently not expected to change materially over the foreseeable future.

Newfoundland Power endeavours to maintain a capital structure comprised of approximately 55% debt and 45% common equity. This capital structure is reflected in customer rates. It is also consistent with the Company's current investment grade credit ratings, thereby ensuring continued access to capital at reasonable cost. The Company maintains this capital structure primarily by managing its common share dividends.

A summary of the Company's capital structure as at December 31 follows.

	2009		2008	
	$	%	$	%
Debt[1]	473,942	54.8	437,535	53.3
Common equity	381,185	44.1	373,738	45.5
Preference equity	9,111	1.1	9,352	1.2
	864,238	100.0	820,625	100.0

[1] *Includes bank indebtedness or net of cash, if applicable.*

The issuance of debt with a maturity that exceeds one year requires the prior approval of the Company's regulator. The issuance of first mortgage sinking fund bonds is subject to an earnings covenant whereby the ratio of (i) annual earnings, before bond interest and tax, to (ii) annual bond interest incurred plus annual bond interest to be incurred on the contemplated bond issue, must be two times or higher. Under its committed credit facility, the Company must also ensure that its Debt to Capitalization ratio does not exceed 0.65:1.00 at any time. During the year, and as at December 31, 2009, the Company was in compliance with all of its debt covenants.

17. Financial Instruments

The Company has designed its financial instruments as at December 31 as follows:

	2009		2008	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Held for trading				
Cash	5,308	5,308	619	619
Loans and receivables				
Accounts receivable	64,553	64,553	63,508	63,508
Customer finance plans[1]	1,679	1,679	1,776	1,776
Other financial liabilities				
Accounts payable and accrued charges	65,727	65,727	65,548	65,548
Security deposits[2]	581	581	785	785
Long-term debt, including current portion	479,250	577,553	438,154	505,121

[1] *Included in other assets on the balance sheet.*
[2] *Included in other liabilities on the balance sheet.*

Fair Values: The fair value of long-term debt, including current portion, is calculated by discounting the future cash flows of each debt instrument at the estimated yield-to-maturity equivalent to benchmark government bonds, with similar terms to maturity, plus a market credit risk premium equal to that of issuers of similar credit quality. Since the Company does not intend to settle its debt instruments before maturity, the fair value estimate does not represent an actual liability and, therefore, does not include exchange or settlement costs.

17. Financial Instruments (cont'd)

The fair value of the Company's remaining financial instruments approximates their carrying value, reflecting their nature, short-term maturity or normal trade credit terms.

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

Credit Risk: There is risk that Newfoundland Power may not be able to collect all of its accounts receivable and amounts owing under its customer finance plans. These financial instruments, which arise in the normal course of business, do not represent a significant concentration of credit risk as amounts are owed by a large number of customers on normal credit terms. The requirement for security deposits for certain customers, which are advance cash collections from customers to guarantee payment of electricity billings, further reduces the exposure to credit risk. The maximum exposure to credit risk is the net carrying value of these financial instruments.

Newfoundland Power manages credit risk primarily by executing its credit and collection policy, including the requirement for security deposits, through the resources of its Customer Relations Department.

The aging of accounts receivable and amounts owing under customer finance plans, past due but not impaired, as at December 31 follow.

	2009	2008
Not past due	$ 33,042	$ 34,275
Past due 1-30 days	28,564	26,660
Past due 31-60 days	3,755	3,391
Past due 61-90 days	846	830
Past due over 90 days	25	128
	$ 66,232	$ 65,284

Liquidity Risk: The Company's financial position could be adversely affected if it failed to arrange sufficient and cost-effective financing to fund, among other things, capital expenditures and repayment of maturing debt.

The ability to arrange such financing is subject to numerous factors, including the results of operations and financial position of the Company, conditions in the capital and bank credit markets, ratings assigned by ratings agencies and general economic conditions. These factors are mitigated by the legal requirement as outlined in the *Electrical Power Control Act* which requires rates be set to enable the Company to achieve and maintain a sound credit rating in the financial markets of the world.

Newfoundland Power manages short-term liquidity risk primarily by maintaining bank credit facilities. The Company has unsecured facilities of $120 million, comprised of a syndicated $100 million committed revolving term credit facility and a $20 million demand facility.

Newfoundland Power manages long-term liquidity risk primarily by maintaining its investment grade credit ratings. See Note 16.

As at December 31, 2009, the fair value of the Company's primary defined benefit pension plan assets was $242.7 million. The fair value of plan assets at the beginning of 2008 was $259.7 million. The decrease in the fair value of pension plan assets since the beginning of 2008 was mainly driven by unfavourable market conditions.

In April 2009, Newfoundland Power received the Actuarial Valuation Report for its defined benefit pension plan as of December 31, 2008. Based on the report, the solvency ratio of the plan is 92.4% which translated into a solvency deficit of $6.9 million ($7.7 million inclusive of interest). The solvency deficit is required to be funded over a 5 year period, commencing in 2009. The Company does not expect any difficulty in its ability to meet future pension funding requirements as it expects the amounts will be financed from a combination of cash generated from operations and amounts available for borrowing under existing credit facilities.

The contractual maturities of the Company's financial liabilities at December 31, 2009 follow.

(millions)	**Total**	**2010**	**2011-2012**	**2013-2014**	**2015 onward**
Accounts payable and accrued charges	65.7	65.7	-	-	-
Security deposits	1.7	1.1	0.6	-	-
Credit facilities *(unsecured)*	13.5	-	13.5	-	-
Interest mortgage sinking fund bonds	579.6	35.8	70.5	67.6	405.7
First mortgage sinking fund bonds[1]	468.9	5.2	10.4	39.0	414.3
Total	1,129.4	107.8	95.0	106.6	820.0

[1] *First mortgage sinking fund bonds are secured by a first fixed and specific charge on property, plant and equipment owned or to be acquired by the Company and by a floating charge on all other assets.*

Market Risk: Exposure to foreign exchange rate fluctuations is immaterial.

Market driven changes in interest rates and changes in the Company's credit ratings can cause fluctuations in interest costs associated with the Company's bank credit facilities. For the year ended December 31, 2009, each 25 basis points change in interest rates on the Company's credit facilities would have caused a $43,000 change in credit facility interest costs and a $29,000 change in earnings (2008 - $73,000 and $49,000, respectively).

The Company periodically refinances its credit facilities in the normal course with fixed-rate first mortgage sinking fund bonds thereby significantly mitigating exposure to interest rate changes.

Changes in interest rates and/or changes in the Company's credit ratings can affect the interest rate on first mortgage sinking fund bonds at the time of issue.

17. Financial Instruments (cont'd)

The Company's defined benefit pension plan is impacted by economic conditions. There is no assurance that the pension plan assets will earn the expected long-term rate of return in the future. Market driven changes impacting the performance of the pension plan assets may result in material variations from the expected long-term return on the assets. This may cause material changes in future pension liabilities and pension expense. Market driven changes impacting the discount rate may also result in material variations in future pension liabilities and pension expense. Effective January 1, 2009, pursuant to the 2010 GRA, the operation of the PEVDA is expected to significantly mitigate the impact on the Company's pension expense as described in Note 2.

18. Commitments

The Company is obligated to provide service to customers, resulting in ongoing capital expenditure commitments. Capital expenditures are subject to PUB approval. The Company's 2010 capital plan provides for capital expenditures of approximately $64.7 million and was approved by the PUB in November 2009.

19. Comparative Figures

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.

Ten Year Summary

	2009[1]	2008[1]	2007[1]	2006[1]	2005	2004	2003	2002	2001	2000
Income Statement Items *($thousands)*										
Revenue	527,179	516,889	491,709	422,405	419,963	404,447	384,150	369,627	359,305	348,413
Purchased power	345,656	336,658	326,778	257,157	255,954	244,012	227,964	210,764	202,479	199,266
Operating, pension and ERP costs	51,988	50,172	53,202	53,996	53,812	51,755	51,799	50,767	52,908	52,486
Amortization of capital assets[2]	45,687	44,511	34,162	33,129	32,143	30,987	29,372	35,442	34,003	29,625
Finance charges	34,555	33,507	34,939	33,819	31,369	30,393	30,009	26,853	26,700	26,641
Income taxes	16,092	19,146	12,176	13,639	15,368	15,586	14,945	16,381	13,730	13,296
Earnings applicable to common shares	32,628	32,341	29,866	30,078	30,729	31,122	29,460	28,807	28,862	26,473
Balance Sheet Items *($thousands)*										
Property, plant and equipment	1,230,371	1,181,433	1,173,642	1,119,820	1,085,106	1,050,913	1,009,448	949,478	914,735	865,406
Intangible assets[3]	37,287	37,633	-	-	-	-	-	-	-	-
Accumulated amortization	464,327	444,109	422,848	402,683	387,815	420,836	407,319	381,003	369,659	353,078
Net capital assets	803,331	774,957	750,794	717,137	697,291	630,077	602,129	568,475	545,076	512,328
Total assets	1,188,021	1,001,855	985,930	929,158	889,013	825,310	744,375	704,598	667,289	628,252
Long-term debt[4]	479,250	438,154	443,527	414,489	395,298	328,558	332,208	335,858	263,758	280,158
Preference shares	9,111	9,352	9,352	9,353	9,410	9,417	9,429	9,709	9,709	9,890
Common equity	381,185	373,738	356,671	335,887	323,972	316,360	299,480	279,515	260,203	250,331
Total capital	869,546	821,244	809,550	759,729	728,680	654,335	641,117	625,082	533,670	540,379
Operating Statistics *(GWh)*										
Sources of Electricity (normalized)										
Purchased	5,188	5,088	5,013	4,876	4,873	4,841	4,725	4,604	4,495	4,432
Generated	426	426	381	417	426	424	425	424	416	423
Total	5,614	5,514	5,394	5,293	5,299	5,265	5,150	5,028	4,911	4,855
Sales (normalized)										
Residential	3,203	3,130	3,044	2,981	2,987	2,972	2,909	2,843	2,775	2,707
Commercial and street lighting	2,096	2,078	2,049	2,014	2,017	2,007	1,973	1,922	1,892	1,848
Total	5,299	5,208	5,093	4,995	5,004	4,979	4,882	4,765	4,667	4,555
Electricity sales per employee	9.3	9.5	9.2	9.0	9.0	8.3	8.1	7.8	7.5	6.9
Customers *(year-end)*										
Residential	207,335	204,204	201,045	198,568	196,412	193,912	191,314	188,925	186,828	185,287
Commercial and street lighting	31,972	31,574	31,217	30,932	30,889	30,552	30,339	30,147	30,051	29,923
Total	239,307	235,778	232,262	229,500	227,301	224,464	221,653	219,072	216,879	215,210
Operating cost per customer ($)[5]	214	208	213	212	218	220	225	223	231	230
Number of regular full-time employees	572	551	555	552	556	599	606	610	626	656

1 *Certain comparative figures have been reclassified to conform with current year presentation.*
2 *Amount for 2007 and 2006 is net of a regulatory deferral of $5.8 million, as approved by the PUB.*
3 *Beginning in 2008, intangible assets were reported separately on the Balance Sheet.*
4 *Net of deferred financing charges in 2009, 2008 and 2007.*
5 *Operating cost per customer is calculated excluding pension and early retirement program costs.*

Jocelyn Perry
Vice President, Finance and Chief Financial Officer
Peter Alteen
Vice President, Regulation and Planning
Gary Smith
Vice President, Customer Operations and Engineering
Earl Ludlow
President and Chief Executive Officer

Connected to our Communities

We are proud that community groups throughout the province can count on us for support. We were pleased to provide financial, in-kind and hands-on assistance to the following organizations and many more in 2009:

Health

The Dr. H. Bliss Murphy Cancer Care Foundation, PRIORITY: The Campaign for Cancer Care, The Burin Peninsula Health Care Foundation, The Western Memorial Health Care Foundation, The Children's Wish Foundation, The Newfoundland & Labrador Down Syndrome Society, Juvenile Diabetes Research Foundation, The Arthritis Society (Newfoundland and Labrador Division), Alzheimer Society of Newfoundland & Labrador, Trinity Conception Placentia Health Care Foundation, Janeway Children's Hospital Foundation, Learning Disabilities Association of Newfoundland & Labrador, Heart and Stroke Foundation of Newfoundland & Labrador, Canadian Blood Services, Canadian Mental Health Association

Safety

Newfoundland & Labrador Association of Fire Services, Firefighter Electricity Safety Training, Learn Not to Burn Program, Child Find Newfoundland & Labrador, School Electricity Safety Program, Safety Services Newfoundland Labrador, Newfoundland & Labrador Crime Stoppers, Newfoundland & Labrador Snowmobile Federation, Triple Bay Eagles Ground Search and Rescue

Environment

Atlantic Salmon Federation, Tree Canada, Newfoundland & Labrador Home Builders' Association, Thomas Howe Demonstration Forest, Trans Canada Trail Foundation, Marystown Community Pride, Rennies River Development Foundation, Corner Brook Stream Development Corporation

Education & Youth

Junior Achievement of Newfoundland & Labrador, Memorial University of Newfoundland, College of the North Atlantic, Newfoundland & Labrador Science Centre, Newfoundland & Labrador High School Athletic Federation, Scouts Canada, Church Lads' Brigade, Special Olympics

Community

Newfoundland & Labrador Region of the Canadian Red Cross, Community Food Sharing Association, Coats for Kids, Habitat for Humanity, Community Services Council Newfoundland & Labrador

Arts & Culture

Newfoundland Symphony Orchestra, Kiwanis Music Festival Association, Resource Centre for the Arts

Board of Directors

Peggy Bartlett
President
Bartlett Enterprises Inc.
Grand Falls-Windsor,
Newfoundland & Labrador

Frank Davis
Corporate Director
St. John's,
Newfoundland & Labrador

Ed Drover
Financial Advisor & President
Ringwood Wealth
Management Inc.
St. John's,
Newfoundland & Labrador

Georgina Hedges
Owner/Operator
The Doctor's Inn
Eastport,
Newfoundland & Labrador

Earl Ludlow
President & Chief Executive Officer
Newfoundland Power Inc.
St. John's,
Newfoundland & Labrador

David Norris
Corporate Director
St. John's,
Newfoundland & Labrador

Fred O'Brien
President & Chief Executive Officer
Maritime Electric Company, Limited
Charlottetown,
Prince Edward Island

Barry Perry
Vice President, Finance &
Chief Financial Officer
Fortis Inc.
St. John's,
Newfoundland & Labrador

Bruce Simmons
President & Chief Executive Officer
Hammond Farm Ltd.
Corner Brook,
Newfoundland & Labrador

John Walker
President & Chief Executive Officer
FortisBC Inc.
Kelowna,
British Columbia

Jo Mark Zurel
President
Stonebridge Capital Inc.
St. John's,
Newfoundland & Labrador

Investor Information

Head Office

55 Kenmount Road, P.O. Box 8910
St. John's, NL A1B 3P6
Tel: (709) 737-2802
Fax: (709) 737-5300

Share Transfer Agent and Registrar

Computershare Trust Company of Canada
1500 University Street, Suite 700
Montreal, QC H3A 3S8
Tel: (514) 982-7888
Fax: (514) 982-7635
computershare.com

Annual General Meeting

Wednesday, May 5, 2010 at 8:00 a.m.
Main Boardroom, 3rd Floor
Newfoundland Power Inc.
55 Kenmount Road
St. John's, NL A1B 3P6

Investor Information

Peter Alteen, Corporate Secretary
55 Kenmount Road, P.O. Box 8910
St. John's, NL A1B 3P6
Tel: (709) 737-5859
palteen@newfoundlandpower.com

Website

newfoundlandpower.com

Email

contactus@newfoundlandpower.com

Fortis Websites

Fortis Inc.
fortisinc.com
FortisAlberta Inc.
fortisalberta.com
FortisBC Inc.
fortisbc.com
Terasen Gas
terasengas.com
FortisOntario Inc.
fortisontario.com
Maritime Electric Company, Limited
maritimeelectric.com
Belize Electricity Limited
bel.com.bz
Caribbean Utilities Company, Ltd.
cuc-cayman.com
Fortis Properties Corporation
fortisproperties.com
Fortis Turks and Caicos
provopowercompany.com

Special thanks to:
Inside front cover, Jeff Wareham; Page 4 (Back L-R), Dianne Drover, Keith Barrett, Bernice Whalen, Dave Lewis; (Front L-R), Glenn Fisher, Heather Carter, Lillian Decker; Page 6 (L-R), David Norris, Earl Ludlow; Page 10, Russ Kennedy; Page 12, Peter Upshall; Page 14, Tina Slade; Page 16 (L-R), Colleen Combden, Trina White, Blair Clarke, Rose Chafe, Edgar Lopez; Page 18, Alex Collins; Page 20 (L-R), Blake Shelley, Randy White.

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Corporate Communications, Newfoundland Power Inc.

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NEWFOUNDLAND
POWER
A FORTIS COMPANY

IN THE MATTER OF
the 2009 Annual Returns
of Newfoundland Power
Inc. filed pursuant to
Section 59(2) of the
Public Utilities Act.

AFFIDAVIT

I, Jocelyn Perry, of the Town of Conception Bay South in the Province of Newfoundland and Labrador, Chartered Accountant, make oath and say as follows:

1. That I am Vice-President, Finance and Chief Financial Officer of Newfoundland Power Inc.

2. That to the best of my knowledge, information and belief, the information contained in the 2009 Annual Report and accompanying returns of Newfoundland Power Inc., filed with the Board of Commissioners of Public Utilities pursuant to section 59(2) of the *Public Utilities Act* is true and accurate.

SWORN to before me at St. John's
in the Province of Newfoundland and Labrador
this 1st day of April, 2010:

Barrister – Newfoundland & Labrador

Jocelyn Perry

Newfoundland Power Inc.
Names and Addresses of Officers and Directors
as of December 31, 2009

Name	Address	Position Held
Peter Alteen	38 Mansfield Crescent St. John's, NL A1E 5E3	Vice President; Corporate Secretary
Peggy Bartlett	173 Grenfell Heights Grand Falls-Windsor, NL A2A 2J7	Director
Frank Davis	2 Crabapple Place St. John's, NL A1A 5L7	Director
E.M. (Ed) Drover	44 Long Pond Road St. John's, NL A1B 1N7	Director
Georgina Hedges	5 Burden's Road Eastport, NL A0G 1Z0	Director
Lisa Hutchens[1]	88 Marine Drive Logy Bay-Middle Cove-Outer Cove, NL A1K 3C7	Vice President
Earl Ludlow	33 Ortega Drive Paradise, NL A1L 2L1	President and Chief Executive Officer; Director
David Norris	23 Mountbatten Drive St. John's, NL A1A 3Y1	Chair, Board of Directors
Fred O'Brien	389 Church Street Alberton, PEI C0B 1B0	Director
Barry Perry	14 Collingwood Crescent Mount Pearl, NL A1N 5C6	Director

[1] Ms. Hutchens' employment with the Company terminated effective January 12, 2010.

Newfoundland Power Inc.
Names and Addresses of Officers and Directors
as of December 31, 2009

Name	Address	Position Held
Jocelyn Perry	6 Maple Street Conception Bay South, NL A1W 5M8	Vice President and Chief Financial Officer
Bruce Simmons	1 Hammond Drive Little Rapids, NL A2H 2N2	Director
Gary Smith	89 Cheyne Drive St. John's, NL A1A 5W5	Vice President
John Walker	617 Almandine Court Kelowna, BC V1W 4Z5	Director
Jo Mark Zurel	16 Regent Street St. John's, NL A1A 5A4	Director

Newfoundland Power Inc.
Computation of Average Rate Base
For The Years Ended December 31
($000's)

		2009	2008
1	**Net Plant Investment**		
2	Plant Investment - Return 4	1,338,408	1,286,039
3	Accumulated Amortization - Return 6	(562,009)	(539,654)
4	Contributions in Aid of Construction - Return 7	(29,017)	(25,884)
5		747,382	720,501
6			
7	**Additions to Rate Base**		
8	Deferred Charges - Return 8	103,761	100,321
9	Deferred Energy Replacement Costs - Return 9	383	766
10	Cost Recovery Deferral - Hearing Costs - Return 9	201	402
11	Cost Recovery Deferral - Depreciation - Return 9	3,862	7,724
12	Cost Recovery Deferral - Conservation - Return 9	948	-
13	Customer Finance Programs - Return 10	1,679	1,776
14	Weather Normalization Reserve - Return 17	3,919	5,910
15		114,753	116,899
16			
17	**Deductions from Rate Base**		
18	Municipal Tax Liability - Return 9	1,363	2,727
19	Unrecognized 2005 Unbilled Revenue - Return 9	4,618	9,236
20	Customer Security Deposits - Return 10	581	785
21	Accrued Pension Obligation - Return 10	3,379	3,142
22	Future Income Taxes - Return 23	2,297	1,184
23	Demand Management Incentive Account - Return 18	-	426
24	Purchased Power Unit Cost Variance Reserve - Return 19	447	895
25		12,685	18,395
26			
27	**Year End Rate Base**	849,450	819,005
28			
29	**Average Rate Base Before Allowances**	834,228	806,833
30			
31	**Rate Base Allowances**		
32	Materials and Supplies Allowance - Return 11	4,366	4,327
33	Cash Working Capital Allowance - Return 12	9,899	9,716
34			
35	**Average Rate Base at Year End**	848,493	820,876

Newfoundland Power Inc.
Plant Investment
For The Year Ended December 31, 2009
($000's)

		Opening Balance	Adjustments[1]	Additions	Retirements	Year End Balance
1	Power Generation					
2	Hydro	138,593	(4)	9,240	818	147,011
3	Diesel	3,005	2	37	10	3,034
4	Gas Turbine	17,899	2	174	32	18,043
5		159,497	-	9,451	860	168,088
6						
7	Substations	133,469	-	9,579	1,319	141,729
8	Transmission	98,266	-	4,637	620	102,283
9	Distribution	737,931	-	38,556	5,738	770,749
10	General Property	50,636	-	657	348	50,945
11	Transportation	22,468	-	2,182	1,933	22,717
12	Communications	10,588	-	440	319	10,709
13	Computer Software	30,988	-	1,529	2,775	29,742
14	Computer Hardware	9,687	-	2,105	2,620	9,172
15	Government Contributions	23,109	-	-	-	23,109
16		1,117,142	-	59,685	15,672	1,161,155
17						
18	Total Depreciable Plant	1,276,639	-	69,136	16,532	1,329,243
19						
20	Non Depreciable Land	9,400	-	-	235	9,165
21						
22	Plant Investment Included In Rate Base	1,286,039	-	69,136	16,767	1,338,408
23						
24	Construction Work In Progress					3,027
25						
26	Total Plant Investment[2]					1,341,435
27						
28						
29						

30 [1] Adjustments are due to asset reclassification and redistribution of original cost based on final project details.

31

32 [2] A reconciliation of the Total Plant Investment used in the calculation of average rate base for 2009 to the plant investment shown
33 in Return 1 is as follows:

34

35	2009 Capital Assets shown in Return 1 (Note 7 to Financial Statements)	1,230,371
36	Add: Contributions in Aid of Construction - Return 7	78,039
37	Add: Plant Investment classified as Intangibles (Note 9 to Financial Statements)	37,287
38	Deduct: Inventories included in Plant Investment for financial reporting purposes	(4,263)
39	Rounding	1
40	2009 Total Plant Investment	1,341,435

Newfoundland Power Inc.
Capital Expenditure
For The Year Ended December 31, 2009
($000's)

		Approved By Board[1]	Actual	Variance[2]
1	Generation			
2	Hydro	8,899	8,235	(664)
3	Thermal	100	202	102
4		8,999	8,437	(562)
5				
6	Substations	7,469	7,732	263
7				
8	Transmission	4,507	4,520	13
9				
10	Distribution	31,046	37,916	6,870
11				
12	General Property	835	628	(207)
13				
14	Transportation	2,255	2,087	(168)
15				
16	Telecommunications	350	422	72
17				
18	Information Systems	3,725	3,569	(156)
19				
20	Unforeseen	1,835	1,049	(786)
21				
22	General Expenses Capital	2,800	3,040	240
23				
24		63,821	69,400	5,579
25				
26				
27	Projects carried forward from 2008[3]		934	
28				

29 [1] Approved by Order Nos. P.U. 27 (2008), P.U. 29 (2009), P.U. 32 (2009) and P.U. 38 (2009).

30

31 [2] Variance explanations are provided in Newfoundland Power Inc.'s 2009 Capital Expenditure Report
32 filed with the Board on February 26, 2010.

33

34 [3] The projects carried forward from 2008 include $81,000 from the wind turbine interconnection
35 at Fermeuse Substation and $853,000 from the Water Street Underground project.

Newfoundland Power Inc.
Accumulated Amortization
For The Year Ended December 31, 2009
($000's)

1	Opening Balance - January 1, 2009	539,654
2		
3	Add:	
4	Amortization of Fixed Assets[1]	41,825
5	Amortization of Contributions - Government - Return 7	45
6	Amortization of Contributions - Customers - Return 7	1,393
7	Salvage	586
8		43,849
9		
10		
11	Deduct:	
12	Cost of Removal (Net of Income Tax)	4,727
13	Retirements	16,767
14		21,494
15		
16	Closing Balance - December 31, 2009[2]	562,009
17		
18		
19		
20		

21 [1] The amortization rates for 2009 are from the 2006 Depreciation Study based on plant in service
22 at December 31, 2005 and approved in Order No. P.U. 32 (2007).

23	Hydro	2.17%
24	Diesel	4.28%
25	Gas Turbine	4.81%
26	Substations	2.63%
27	Transmission	3.28%
28	Distribution	3.14%
29	General Property	2.94%
30	Transportation	10.28%
31	Telecommunications	6.18%
32	Computer Software	10.00%
33	Computer Hardware	20.00%

34

35 [2] The accumulated amortization shown in Return 1 (Note 7 to the Financial Statements) is before
36 adjustment for contributions in aid of construction, site restoration costs and intangibles.

37	Accumulated Amortization shown in Return 1 (Note 7)	443,153
38	Add: Amortization of Contributions - Return 7	49,022
39	Add: Site Restoration Costs - Return 1 (Note 4)	48,660
40	Add: Accumulated Depreciation classified as Intangibles (Note 9)	21,174
41	2009 Accumulated Amortization for Average Rate Base	562,009

Newfoundland Power Inc.
Contributions in Aid of Construction
For The Year Ended December 31, 2009
($000's)

		Customers	Government	Total
1	Gross Contributions to January 1, 2009	50,360	23,108	73,468
2				
3	Add: Contributions Received in 2009	4,571	-	4,571
4				
5	Gross Contributions to December 31, 2009	54,931	23,108	78,039
6				
7				
8	Amortizations to January 1, 2009	25,101	22,483	47,584
9				
10	Add: Amortization in 2009	1,393	45	1,438
11				
12	Amortizations to December 31, 2009	26,494	22,528	49,022
13				
14				
15	Unamortized Contributions to December 31, 2009	28,437	580	29,017

Newfoundland Power Inc.
Deferred Charges
For The Year Ended December 31, 2009
($000's)

		Balance January 1 2009	Additions During 2009	Reductions During 2009	Balance December 31 2009
1	Deferred Pension Costs[1]	100,196	4,866	1,339	103,723
2					
3	Capital Stock Issue Expenses	75	-	37	38
4					
5	Deferred Credit Facility Issue Costs	50	-	50	-
6					
7	Deferred Charges Included in Rate Base	100,321	4,866	1,426	103,761
8					
9					
10					
11					

12 [1] The December 31, 2009 balance includes $5.9 million in pension costs associated with the 2005 Early Retirement Program. These
13 pension costs were originally $11.3 million and are being amortized over ten years, beginning April 1, 2005.

Newfoundland Power Inc.
Regulatory Deferrals
For The Year Ended December 31, 2009
($000's)

		Balance January 1 2009	Additions During 2009	Reductions During 2009	Balance December 31 2009
1	**Cost Recovery Deferrals**				
2	Deferred Energy Replacement Costs[1]	766	-	383	383
3	Cost Recovery Deferral - Depreciation[1]	7,724	-	3,862	3,862
4	Deferred Hearing Costs[1]	402	-	201	201
5	Deferred Conservations Costs[2]	-	948	-	948
6					
7	**Revenue Deferrals[1]**				
8	Municipal Tax Liability	2,727	-	1,364	1,363
9	Unrecognized 2005 Unbilled Revenue	9,236	-	4,618	4,618

[1] In Order No. P.U. 32 (2007), the Board approved a 3-year amortization of these cost recovery and revenue deferrals.

[2] In Order No. P.U. 13 (2009), the Board approved the deferral of certain costs related to the implementation of the conservation plan in 2009.

Newfoundland Power Inc.
Other Rate Base Assets and Liabilities
For The Year Ended December 31, 2009
($000's)

		Balance January 1 2009	Change During 2009	Balance December 31 2009
1	**Assets**			
2	Customer Finance Programs[1]	1,776	(97)	1,679
3				
4	**Liabilities**			
5	Accrued Pension Obligation[2]	3,142	237	3,379
6				
7	Customer Security Deposits[3]	785	(204)	581
8				
9				
10				

11 [1] Comprised of loans provided to customers related to customer conservation programs and contributions in aid of construction.

12

13 [2] Executive and Senior Management supplemental pension benefits comprised of a defined benefit plan (PUP) and a defined contribution
14 plan (SERP). The PUP was closed to new entrants in 1999.

15

16 [3] Security deposits received from customers for electrical service in accordance with the Board-approved Schedule of Rates, Rules and Regulations.

Newfoundland Power Inc.
Materials and Supplies Allowance
For The Years Ended December 31
($000's)

		2009[1]	2008[1]
1	Opening - January 1	5,391	5,248
2	January	5,224	5,356
3	February	5,701	5,543
4	March	5,662	5,663
5	April	5,825	5,365
6	May	5,352	5,448
7	June	5,526	5,562
8	July	5,332	5,271
9	August	5,444	5,369
10	September	5,337	5,191
11	October	5,197	5,249
12	November	5,231	5,145
13	December	5,197	5,391
14	Total	70,419	69,801
15			
16	Average	5,417	5,369
17			
18	Less: Expansion (19.4%)[2]	1,051	1,042
19			
20	Materials and Supplies Allowance	4,366	4,327
21			
22			

23 [1] The 2008 and 2009 materials and supplies allowance calculation reflects a 13-month
24 average as approved by the Board in Order No. P.U. 32 (2007).
25
26 [2] The expansion factor of 19.4% is based on the 2008 cash working capital study approved
27 by the Board in Order No. P.U. 32 (2007).

Newfoundland Power Inc.
Cash Working Capital Allowance[1]
For The Years Ended December 31
($000's)

		2009	2008
1	Gross Operating Costs[2]	395,731	382,799
2	Current Income Taxes - Return 22	15,590	20,131
3	Municipal Taxes Paid	12,942	12,394
4	Non-regulated Expenses (net of income taxes)	(1,203)	(995)
5			
6	Total operating expenses	423,060	414,329
7			
8	Cash Working Capital Factor	2.1%	2.1%
9		8,884	8,701
10			
11	HST Adjustment	1,015	1,015
12			
13	Cash Working Capital Allowance	9,899	9,716
14			
15			
16			

17 [1] The cash working capital allowance for 2008 and 2009 is calculated based on the method used to
18 calculate the 2008 Test Year average rate base approved by the Board in Order No. P.U. 32 (2007).
19
20 [2] In accordance with the methodology approved in Order No. P.U. 32 (2007), gross operating costs
21 for 2009 used in the calculation of the 2009 cash working capital allowance are net of non-cash
22 related amortizations.

Newfoundland Power Inc.
Return on Average Rate Base[1]
For The Years Ended December 31
($000's)

		2009	2008
1	Net Earnings from Return 1	33,201	32,895
2	Add: Non-regulated (net of income taxes)	1,203	995
3		34,404	33,890
4			
5	Finance Costs		
6	Interest on Long-term Debt	34,547	32,334
7	Other Interest	402	1,456
8	Amortization of Debt Issue Expenses	235	235
9	AFUDC	(675)	(618)
10		34,509	33,407
11			
12	Regulated Earnings	68,913	67,297
13			
14	Average Rate Base from Return 3	848,493	820,876
15			
16	Rate of Return on Average Rate Base	8.12%	8.20%
17			
18			
19	Average Rate Base from Return 3	848,493	820,876
20			
21	Upper Limit of the Allowed Range of Return on Average Rate Base[2]	8.55%	8.55%
22			
23	Upper Limit of Allowed Regulated Earnings	72,546	70,185
24			
25	Regulated Earnings	68,913	67,297
26			
27	Excess Revenue net of Income Taxes	-	-
28			
29	Income Taxes	-	-
30			
31	Excess Revenue	-	-
32			
33			

34 [1] The return on average rate base is calculated in accordance with the methodology approved in Order No. P.U 32 (2007).
35
36 [2] Based on a return on rate base of 8.37% plus 18 basis points, as approved in Order No. P.U. 32 (2007) for 2008 and
37 Order No. P.U. 35 (2008) for 2009.

Newfoundland Power Inc.
Details of Normalized Sales and Revenue
For The Years Ended December 31
($000's)

			2009			2008		
			Gigawatt Hours	Year End Customer Accounts	Revenue	Gigawatt Hours	Year End Customer Accounts	Revenue
1	**Revenue From Rates**							
2	Domestic	1.1	3,203.3	207,335	309,360	3,130.3	204,204	302,916
3								
4	General Service:							
5	0 - 10 kW	2.1	89.8	12,036	11,840	88.8	11,920	11,742
6	10 - 100 kW	2.2	640.9	8,770	63,318	641.8	8,626	63,129
7	110 - 1000 kVA	2.3	890.5	1,088	74,182	878.5	1,061	72,997
8	1000 kVA and Over	2.4	438.0	68	31,675	432.3	65	31,208
9	Total General Service		2,059.2	21,962	181,015	2,041.4	21,672	179,076
10								
11	Street & Area Lighting	4.1	36.5	10,010	12,862	36.5	9,902	12,722
12	Forfeited Discounts		-	-	2,644	-	-	2,646
13								
14	Revenue From Rates		5,299.0	239,307	505,881	5,208.2	235,778	497,360
15								
16	**Adjustments and Transfers**							
17	Transfer From (To) RSA				2,878 [1]			(948)
18	2005 Unbilled Revenue Accrual				4,618 [2]			7,210
19	Total Adjustments and Transfers				7,496			6,262
20								
21	**Other Revenue**							
22	Joint Use Revenue				9,219			8,861
23	Wheeling Revenue				566			615
24	Amortization of Municipal Tax Liability				1,364 [3]			1,362
25	Interest on Overdue Customer Accounts				818			1,155
26	Other Non-Electrical Revenue				1,835			1,274
27	Total Other Revenue				13,802			13,267
28								
29	**Total Revenue - Return 1**				**527,179**			**516,889**
30								
31								
32								

33 [1] The transfer from the RSA in 2009 of $2,878,000 is related to the operation of the Energy Supply Cost Variance Adjustment.

34

35 [2] In Order No. P.U. 32 (2007), the Board approved a 3-year amortization of the 2005 Unbilled Revenue remaining balance.

36

37 [3] In Order No. P.U. 32 (2007), the Board approved a 3-year amortization of the municipal tax liability beginning in 2008.

Newfoundland Power Inc.
Normalized Production and Sales Statistics
For The Years Ended December 31
($000's)

		2009	2008
1	Gigawatt Hours - Purchased	5,187.9	5,088.0
2			
3	Gigawatt Hours - Produced	425.9	425.8
4			
5			
6	Total Purchased & Produced	5,613.8	5,513.8
7			
8			
9	Gigawatt Hours - Sold & Used	5,310.6	5,219.9
10			
11			
12	Gigawatt Hours - Losses	303.2	293.9
13			
14	Losses Expressed as a Percentage of		
15	Total Purchased & Produced	5.4%	5.3%
16			
17	Purchased Power Annual Billing Demand in kW	1,119,136	1,074,714

Newfoundland Power Inc.
Rate Stabilization Account
For The Year Ended December 31, 2009
($000's)

	Month	Opening Balance	Adjustments	RSA Billed During Month	Municipal Taxes	Excess Fuel Costs	Secondary Energy Costs	Interest Costs	Transfer To (From) Nfld. Hydro	Closing Balance
1	January	2,490.0	-	(4,589.7)	-	9.3	-	17.4	4,781.0	2,708.0
2										
3	February	2,708.0	-	(4,760.9)	-	4.1	(0.1)	18.9	4,063.6	2,033.6
4										
5	March	2,033.6	(641.3) [1]	(4,378.2)	-	11.0	(0.1)	14.2	4,151.5	1,190.7
6										
7	April	1,190.7	-	(3,836.3)	-	7.3	(1.1)	8.3	3,171.9	540.8
8										
9	May	540.8	-	(3,122.1)	-	16.2	(119.5)	3.8	2,631.3	(49.5)
10										
11	June	(49.5)	-	(2,560.1)	-	7.2	(242.3)	(0.3)	2,287.6	(557.4)
12										
13	July	(557.4)	-	(1,194.6)	-	29.3	(39.4)	(3.9)	128.8	(1,637.2)
14										
15	August	(1,637.2)	-	(187.7)	-	88.8	39.4	(11.6)	124.7	(1,583.6)
16										
17	September	(1,583.6)	-	(191.0)	-	28.6	-	(11.0)	130.8	(1,626.2)
18										
19	October	(1,626.2)	-	(217.5)	-	4.6	-	(11.3)	182.5	(1,667.9)
20										
21	November	(1,667.9)	-	(297.4)	-	2.8	-	(11.6)	198.1	(1,776.0)
22										
23	December	(1,776.0)	2,877.6 [2]	(332.9)	393.1 [3]	18.0	-	(12.4)	250.9	1,418.3
24										
25			2,236.3	(25,668.4)	393.1	227.2	(363.1)	0.5	22,102.7	
26										
27										
28										

29 [1] This is the disposition of the 2008 year-end balance in the Demand Management Incentive Account, as well as the related income tax effects, approved in Order No. P.U. 21 (2009).

30

31 [2] This is the Energy Supply Cost Variance for 2009 approved in Order No. P.U. 32 (2007).

32

33 [3] This is the difference between total municipal taxes collected from customers through rates and the total taxes paid to municipalities for 2009.

Newfoundland Power Inc.
Weather Normalization Reserve
For The Year Ended December 31, 2009
($000's)

Degree Day Normalization Reserve Transfer	
Revenue Adjustment	
Heating Degree Days	7,241
Cooling Degree Days	-
Wind Speed Adjustments	(1,483)
Total Revenue Adjustment	5,758
Less : Power Purchased Adjustment	
Heating Degree Days	8,345
Cooling Degree Days	-
Wind Speed Adjustments	(1,682)
Total Power Purchased Adjustment	6,663
Net Adjustment (Before Tax)	(905)
Less: Income Tax @ 33.0%	(299)
Net Adjustment (After Tax)	(606)
Amortization of Weather Normalization Reserve[1]	(1,366)
Net Transfer (To) From Degree Day Normalization Reserve	(1,972)
Hydro Production Equalization Reserve Transfer	
Transfer (To) From Reserve (Before Tax)	(29)
Less: Income Tax @ 33.0%	(10)
Net Transfer (To) From Hydro Production Equalization Reserve	(19)
Net Transfer (To) From Weather Normalization Reserve	**(1,991)**

	Weather Normalization Account Balances		
	Balance at January 1 2009	**Net Transfers**	**Balance at December 31 2009[2]**
Degree Day Reserve	4,567	(1,972)	2,595
Hydro Equalization Reserve	1,343	(19)	1,324
	5,910	(1,991)	3,919

[1] This is the amortization of a non-reversing balance in the degree day normalization reserve as approved by the Board in Order No. P.U. 32 (2007).

[2] A positive balance in the weather normalization reserve reflects amounts to be recovered from customers in future periods. A negative balance in the weather normalization reserve reflects amounts owed to customers.

Newfoundland Power Inc.
Demand Management Incentive Account
For The Year Ended December 31, 2009
($000's)

Demand Management Incentive Account Transfer		
	Demand Supply Cost Variance	(104)
	Demand Management Incentive (+/-)[1]	529
	Supply Cost Variance Outside Deadband	-
	Less: Income Tax @ 33.0%	-
	Net Transfer (To) From Demand Management Incentive Account	-
Demand Management Incentive Account Balance		
	Balance at January 1, 2009	(426)
	Net Transfer (To) From Demand Management Incentive Account	426
	Balance at December 31, 2009[2]	-

[1] The demand management incentive of $529,000 is plus/minus 1% of test year wholesale demand charges. The Demand Management Incentive Account definition was approved by the Board in Order No. P.U. 32 (2007).

[2] In accordance with Order No. P.U. 32 (2007), Newfoundland Power filed a report with the Board on February 19, 2010 pertaining to the operation of the Demand Management Incentive Account for 2009.

Newfoundland Power Inc.
Purchased Power Unit Cost Variance Reserve
For The Year Ended December 31, 2009
($000's)

Purchased Power Unit Cost Variance Reserve Balance

Balance at January 1, 2009	(895)
2009 Amortization[1]	448
Balance at December 31, 2009	(447)

[1] In Order No. P.U. 32 (2007), the Board approved a 3-year amortization of the 2006 year end balance in the Purchased Power Unit Cost Variance Reserve of $1,342,000. The balance in the PPUCVR will be fully amortized at December 31, 2010. Beginning in 2008, the PPUCVR has been replaced by the Demand Management Incentive Account.

Newfoundland Power Inc.
Statement of Operating & General Expenses
For The Year Ended December 31, 2009
($000's)

		2009	2008	Variances[1]
1	Operating Expenses			
2				
3	Purchased Power	345,656	336,658	8,998
4	Power Produced	2,527	2,552	(25)
5	Administrative and Engineering Support	6,120	5,604	516
6	Environmental Policy	385	398	(13)
7	Substations	2,300	2,123	177
8	Transmission	482	585	(103)
9	Distribution	7,172	6,592	580
10	Communications	1,381	1,394	(13)
11	Fleet Operating and Maintenance Expense	1,443	1,572	(129)
12				
13				
14		367,466	357,478	9,988
15				
16				
17	General Expenses			
18				
19	Customer Service	11,789	10,363	1,426
20	Financial Services	1,505	1,494	11
21	Information Systems	2,695	2,487	208
22	Pension Costs	2,673	3,040	(367)
23	Retirement Allowances	119	307	(188)
24	Corporate and Employee Services	14,589	13,458	1,131
25				
26				
27		33,370	31,149	2,221
28				
29				
30	Total Operating & General Expenses	400,836	388,627	12,209
31				
32	Less: Transfers to General Expenses Capitalized	1,836	1,797	39
33	Transfers to Conservation Deferral	1,356	-	1,356
34				
35				
36	**Total Expenses[2]**	**397,644**	**386,830**	**10,814**
37				
38				

39 [1] Variances are explained in Return 21.

40

41 [2] This is equal to the total of purchased power costs, operating expenses and pension costs shown in Return 1.

Newfoundland Power Inc.
Explanation of Expense Variances
2009 versus 2008
($000's)

	2009	2008	Increase (Decrease)
Total Expenses	**397,644**	**386,830**	**10,814**

Total expenses for 2009 increased by $10.8 million, or 2.8 per cent over 2008. This increase was due primarily to higher purchased power, customer service and corporate and employee service expenses.

The following is an explanation of significant variances for individual operating and general expense classes.

Purchased Power	**345,656**	**336,658**	**8,998**

The increase in Purchased Power expense in 2009 was a result of higher energy sales as well as higher demand charges. This was partially offset by the 2008 leap year which amounted to one less day of purchases in 2009.

Power Produced	**2,527**	**2,552**	**(25)**

The Power Produced costs for 2009 were in line with costs for 2008.

Administrative and Engineering Support	**6,120**	**5,604**	**516**

The increase in Administrative and Engineering Support costs was primarily due to inflation impacts and higher employee benefits costs in 2009.

Environmental Policy	**385**	**398**	**(13)**

The Environmental Policy costs for 2009 were in line with 2008. A decrease in labour costs which resulted from employee reassignments to Corporate and Employee Services in 2009 and lower environmental audit costs were offset by an increase in costs related to oil spills during 2009.

Newfoundland Power Inc.
Explanation of Expense Variances
2009 versus 2008
($000's)

	2009	2008	Increase (Decrease)
Substations	**2,300**	**2,123**	**177**

Substations operating costs were higher in 2009 compared to 2008. In 2008, labour costs were lower as a result of staff being reassigned to capital projects associated with the interconnection of two wind farms and the in-service failure of the Pierre's Brook transformer.

Transmission	**482**	**585**	**(103)**

Transmission operating costs were lower in 2009 primarily due to a reduction in vegetation management work performed on transmission lines. The decrease in Transmission related vegetation management was offset by an increase in Distribution related vegetation management work.

Distribution	**7,172**	**6,592**	**580**

Distribution operating costs were higher in 2009 for two reasons: (1) higher labour costs due to inflation and increased overtime associated with weather related repairs , and (2) a shift in vegetation management effort from transmission to distribution.

Communications	**1,381**	**1,394**	**(13)**

Communications operating costs for 2009 were in line with costs for 2008.

Fleet Operating and Maintenance Expense	**1,443**	**1,572**	**(129)**

The decrease in Fleet Operating and Maintenance Expense is primarily the result of lower fuel costs.

Customer Service	**11,789**	**10,363**	**1,426**

Customer Service operating costs were higher in 2009 as a result of higher conservation and demand management costs. In 2009, the Company launched four new conservation programs. The increase was partially offset by a decrease in labour costs that resulted from employee transfers and reassignments to Corporate and Employee Services.

Newfoundland Power Inc.
Explanation of Expense Variances
2009 versus 2008
($000's)

	2009	2008	Increase (Decrease)
Financial Services	**1,505**	**1,494**	**11**
Financial Services costs for 2009 were in line with costs for 2008.			
Information Systems	**2,695**	**2,487**	**208**
Information Systems operating costs were higher in 2009 as a result of changes in the payment schedule for software maintenance expenses in 2008. The increase was partially offset by lower corporate network improvements costs.			
Pension Costs	**2,673**	**3,040**	**(367)**
An increase in the discount rate used to determine the Company's accrued defined benefit pension obligation resulted in lower pension costs in 2009. This was partially offset by the effect of 2008 experience losses associated with pension plan assets and a lower assumed long-term rate of return on pension assets for 2009.			
Retirement Allowances	**119**	**307**	**(188)**
Retirement Allowance costs were lower in 2009 as a result of a lower number of severances compared to 2008.			
Corporate and Employee Services	**14,589**	**13,458**	**1,131**
Higher Corporate and Employee Services costs in 2009 were a result of costs associated with Company's 2010 general rate application, higher labour costs related to employee transfers and reassignments, and the timing of recognition of annual PUB assessment expenses in 2008. This was partially offset by lower insurance costs.			

Newfoundland Power Inc.
Explanation of Expense Variances
2009 versus 2008
($000's)

	2009	2008	Increase (Decrease)
General Expenses Capitalized	**1,836**	**1,797**	**39**

The increase in General Expenses Capitalized (GEC) reflects increases in those expense groupings (mostly Administrative and Engineering Support costs, offset by reduced Pension costs) from which indirect allocations to GEC are derived.

Conservation Deferral	**1,356**	**-**	**1,356**

The Conservation Cost Deferral Account reflects the Board's approval of the deferred recovery over 4 years of certain 2009 costs associated with the Company's energy conservation programs.

Newfoundland Power Inc.
Calculation of Taxable Income and Income Tax Expense
For The Year Ended December 31, 2009
($000's)

1	Net Earnings from Return 1		33,201
2			
3	Add: Provision for current income tax	16,208	
4	Provision for prior years taxes	(618)	
5	Provision for future income taxes	1,112	
6	Provision for Conservation Cost Deferral	409	
7	Provision for Purchased Power Unit Cost Variance Reserve (PPUCVR)	241	
8	Provision for Replacement Energy Costs	(216)	
9	Provision for Weather Normalization	(1,044)	16,092
10			
11	Net Income Before Income Taxes		49,293
12			
13	Add: Amortization of capital assets net of deferred expense	41,825	
14	Amortization of debt discount & expenses	185	
15	Amortization of capital stock issue expenses	37	
16	Amortization of credit facility costs	50	
17	Business meals & related expenses	186	
18	Special pension liability	238	
19	Replacement Energy Cost	598	
20	Stock option expense not deductible	400	
21	Taxable capital gains on sale of land	129	
22	Small tools in excess of $500	227	
23	Deferred Depreciation Costs	3,862	
24	Deferred GRA Expenses	201	
25	Other non deductible costs	17	47,955
26			
27			97,248
28	Less:		
29	Capital cost allowance	40,074	
30	Cumulative eligible capital	10	
31	Revenue re: Agreement With CRA	4,618	
32	General expenses capitalized	3,040	
33	Interest charged to construction	675	
34	Bond issue expenses	185	
35	Deferred CDM	1,357	
36	Part VI.1 tax deduction	41,767	
37	Capital gains on sale of land included in income	444	
38	Difference in pension funding and accounting cost	1,047	93,217
39			
40	Taxable Income		4,031
41			
42	Weather Normalization deducted as future tax		1,044
43	Provision for PPUCVR		(241)
44	Income Tax - Part 1		1,330
45	Income Tax - Part VI.1		13,922
46	Normalization adjustment		153
47	Provision for prior years taxes		(618)
48			
49	Current Income Tax Expense		15,590
50			
51	Provision for CDM		409
52	Provision for PPUCVR		241
53	Provision for Replacement Energy Costs		(216)
54	Provision for Weather Normalization		(1,044)
55	Future income tax		1,112
56			
57	Future Income Tax Provision		502
58			
59	Total Tax Expense		16,092

Newfoundland Power Inc.
Accumulated Future Income Taxes
For The Year Ended December 31, 2009
($000's)

Plant Investments			
Balance on January 1, 2009			575
Add: CCA claimed on all property, plant and equipment - from Return 22	40,074		
Less: Amortization expense on all property, plant and equipment (GEC excluded from post-1986 additions)	38,229		
Difference	1,845		
Future Income Tax Rate @ 29%			535
Balance on December 31, 2009 (if negative enter 0)			1,110
Pension and Early Retirement Costs			
Balance on January 1, 2009			609
Add: Pension Funding	3,784		
Less: Pension Expense (including Special Pension Costs)	1,792		
Difference	1,992		
Future Income Tax Rate @ 29%			578
Balance on December 31, 2009			1,187
Total Accumulated Future Income Taxes			**2,297**

Newfoundland Power Inc.
Average Regulated Capital Structure
For The Year Ended December 31, 2009
($000's)

Average Book Capital Structure

	Year-End December 31 2009	Year-End December 31 2008	Average	Percent
Total Debt	479,250	438,154	458,702	54.26%
Preference Shares	9,111	9,352	9,232	1.09%
Common Equity	381,185	373,738	377,462	44.65%
	869,546	821,244	845,396	100.00%

Average Regulated Capital Structure[1]

	Average 2009	Percent
Total Debt	458,702	54.26%
Preference Shares	9,232	1.09%
Common Equity	377,462	44.65%
	845,396	100.00%

[1] In Order No. P.U. 19 (2003), the Board ordered that the proportion of regulated common equity in the capital structure shall not exceed 45%. In years where the average common equity percentage is below 45% of the average invested capital, the regulated average capital structure will equal the average book capital structure.

Newfoundland Power Inc.
Cost of Embedded Debt
For The Years Ended December 31
($000's)

			2009	2008
1	**Debt**			
2	Bonds		468,888	409,088
3	Credit Facilities		13,500	32,000
4			482,388	441,088
5				
6	Debt Discount and Issue Expenses		(3,138)	(2,934)
7				
8			479,250	438,154
9				
10	Average Debt	**A**	458,702	440,841
11				
12	**Interest Expense**[1]			
13	Interest on Bonds		34,547	32,334
14	Interest on Credit Facilities		396	1,445
15	Interest on Bank Indebtedness		7	11
16	Amortization of Debt Discount and Issue Costs		235	235
17				
18		**B**	35,185	34,025
19				
20	**Embedded Cost of Debt**	**B/A**	**7.67%**	**7.72%**
21				
22				
23				
24				

25 [1] Total financing costs for 2009 and 2008 as reported in Return 1 are as follows:

26

		2009	2008
27			
28	Interest Expense (B) from above	35,185	34,025
29	Add: Amortization of Capital Stock Issue Expenses	37	62
30	Add: Interest on Security Deposits	8	38
31	Less: AFUDC	(675)	(618)
32	Interest Expense Reported in Return 1	34,555	33,507

Newfoundland Power Inc.
Explanation of Variances in Cost of Debt
For The Year Ended December 31, 2009
($000's)

		Actual 2009	Test Year 2008	Variance
1	**Average Debt**	458,702	440,691	18,011
2				
3	**Embedded Cost of Debt**	7.67%	7.93%	-0.26%
4				
5	**Details of the Embedded Cost of Debt**			
6	Interest on Bonds	34,547	32,334	2,213 [1]
7	Interest on Credit Facilities	396	2,393	(1,997) [2]
8	Interest on Bank Indebtedness	7	-	7
9	Amortization of Debt Discount and Issue Costs	235	236	(1)
10				
11		35,185	34,963	222

Explanation of Variances

[1] A $65 million First Mortgage Sinking Fund Bond was issued on May 25, 2009 at an interest rate of 6.606%. This bond issuance was approved by the Board in Order No. P.U. 11 (2009).

[2] The reduction in interest costs on credit facilities was primarily due to lower borrowing and a decline in short term borrowing rates in 2008 and 2009 due to market conditions.

Newfoundland Power Inc.
Regulated Return on Average Common Equity
For The Year Ended December 31
($000's)

		2009	2008
1	**Average Common Equity**		
2			
3	Common Equity at December 31, 2009	381,185	
4			
5	Common Equity at December 31, 2008	373,738	373,738
6			
7	Common Equity at December 31, 2007		356,671
8			
9	Average Common Equity	377,462	365,205
10			
11			
12	**Regulated Return on Average Common Equity**		
13			
14	Earnings Applicable to Common Shares - Return 1	32,628	32,341
15			
16	Add: Non-Regulated Expenses (net of income taxes)	1,203	995
17			
18		33,831	33,336
19			
20			
21	**Regulated Return on Average Common Equity**	**8.96%**	**9.13%**

Newfoundland Power Inc.
Assessable Revenue
(s. 13 of the *Public Utilities Act*)
For The Year Ended December 31, 2009
($000's)

1	Revenue From Rates from Return 14	505,881	
2			
3	Weather Normalization Revenue Adjustment from Return 17	(5,758)	
4			
5		500,123	
6			
7	Municipal Taxes Billed	12,549	
8			
9	Billing per the Rate Stabilization Account from Return 16	25,668	
10			
11	Total Electrical Revenue Billed		538,340
12			
13	Other Revenue from Return 14		13,802
14			
15	**Assessable Revenue**		**552,142**

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
PO Box 8910
St. John's, Newfoundland
A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

May 13, 2010

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

Enclosed are eleven copies of Newfoundland Power Inc.'s Quarterly Regulatory Report for the quarter ending March 31, 2010.

The report is divided into five sections: Quarterly Summary; Capital Expenditure Progress; Inter-Company Transactions; Customer Property Damage Claims; and Contribution In Aid of Construction Activity.

If you have any questions on the enclosed, please contact the undersigned at the direct number noted below.

Yours very truly,

Gerard M. Hayes
Senior Counsel

Enclosures

c. Geoffrey P. Young
Newfoundland & Labrador Hydro

Quarterly Regulatory Report

For The Period Ended

March 31, 2010

NEWFOUNDLAND POWER
A FORTIS COMPANY

QUARTERLY REGULATORY REPORT

FOR THE PERIOD ENDED

March 31, 2010

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1. Highlights

Highlights	1st Quarter			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan 2010
Customer Satisfaction (%)	89	89	89	89
Electricity Delivery [1]				
Electricity Sales (GWh)	1,795.2	1,770.6	1,762.9	5,349.9
Peak Demand (MW) [2]	1,237.4	1,253.8	1,237.1	1,253.8
Customer Minutes of Outage [3]	49.7	10.7	11.8	36.6
Injury Frequency Rate [4]	3.3	1.8	0.0	1.8
Revenue ($millions)	178.3	175.5	169.7	547.0
Earnings ($millions) [5]	7.2	6.3	6.2	34.0

- 1st quarter customer satisfaction was 89%.
- 1st quarter sales were higher than plan.
- 1st quarter reliability performance was impacted by a severe ice storm in March.
- There was a contractor fatality during the 1st quarter.
- Three lost time and two medical aid incidents occurred in the 1st quarter.
- 1st quarter earnings were above plan.

[1] Weather adjusted.
[2] Peak demand for the 2009/2010 winter period occurred on February 3rd, 2010 at 7:45 a.m.
[3] In millions of minutes, excluding Hydro related interruptions.
[4] Injuries per 200,000 hours worked.
[5] Earnings applicable to common shares.

2. Customer Service

Customer Service Performance (%)	1st Quarter			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan 2010
Customer Satisfaction	89	89	89	89
First Call Resolution [1]	89	88	89	88
Service Level [2]	75	80	80 [4]	80
Trouble Call Response [3]	89	85	92	85

[1] % of customer calls resolved on first contact.
[2] % of customer calls answered within 60 seconds.
[3] % of trouble call response within two hours.
[4] % of customer calls answered within 40 seconds.

Customer Service Performance

1st quarter customer satisfaction and first-call resolution levels remain consistent with 2009, at 89%. Customer Contact Centre service level was 75%. The Company has changed the service level performance target from 80% of calls answered in 40 seconds to 80% of calls answered in 60 seconds, on a test basis. This has enabled increased focus on responding to electronic inquiries from customers, which continue to increase. To date, there has been no negative impact on customers' service feedback or satisfaction levels. This change will be monitored quarterly.

Customer Service Improvements

Beginning in February, the number of meter reading routes on Bell Island was reduced from five to three. This increase in efficiency was enabled by the installation of Automated Meter Reading (AMR) meters, which has been ongoing since the fall of 2009. During 2010, the remaining meters on Bell Island will be changed to AMR, providing additional meter reading efficiencies.

Linecrew – St. John's

The Company has developed an advertising campaign to increase the number of customers participating in eBills. The online advertising campaign, featuring a contest to encourage customers to join eBills, will run from May 1st through June 18th.

During the 1st quarter, the Company implemented improvements to scheduling and dispatching of line crews in Eastern Region. The Company has also issued a request for proposals to obtain software to schedule and track customer-driven maintenance and capital jobs requiring linework. Full implementation of software and process changes is expected to take approximately four months.

Energy Conservation

During the 1st quarter, an additional 865 customers participated in one or more of the *takeCHARGE* Energy Savers programs. The majority of program participation to date continues to be from customers living in urban areas, particularly St. John's, Mount Pearl and Corner Brook. During this quarter, 127 program participants from 2009 were visited by a member of the *takeCHARGE* team to discuss their experience with the program and to get their feedback. The team also visited 68 retail outlets to collect retailer information and feedback from sales staff. The feedback from program participants and retail outlets was positive.

takeCHARGE outreach events during the quarter included the Board of Trade Business Development Summit, the Canadian Home Builders Association - Eastern Newfoundland Housing Forum, and Hospitality Newfoundland and Labrador 2010 Lookout! Tourism Summit in Gander. The team also presented the *takeCHARGE* Energy Savers programs to employees across the island to promote the energy conservation initiatives. On February 26th, the Company and Newfoundland and Labrador Hydro (Hydro), set up a *takeCHARGE* booth at the CTV Olympic Celebration at the Mile One Centre, St. John's.

The takeCHARGE Team for the CTV Olympic Celebration at the Mile One Centre, including employees of Newfoundland Power and Hydro

The Company promoted participation in the March 27th *Earth Hour* initiative through its *takeCHARGE* newsletter, website and advertising, as well as through partners such as Municipalities Newfoundland and Labrador. The Company and Hydro turned off lights in their facilities, except where required for safety or security purposes. During *Earth Hour*, there was a demand reduction in the province of about 9 MW, compared to the previous hour.

3. System Performance

A. Reliability

System Reliability [1]	1st Quarter			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan 2010
Customer Minutes of Outage [2]	49.7	10.7	11.8	36.6
SAIDI (Outage hours per customer)	3.59	0.76	0.86	2.62
SAIFI (Outages per customer)	0.80	0.55	0.63	2.15

[1] Excludes Hydro-related interruptions.
[2] In millions of minutes.

The frequency and duration of outages in the quarter were higher than experienced during the 1st quarter of 2009.

A severe ice storm on March 5th and 6th caused extended power interruptions on the Avalon and Bonavista Peninsulas, and in the Bonavista North area. Approximately 43 million customer minutes of outage resulted from this storm, compared to a total of 35 million customer minutes of outage during all of 2009.

Ice Storm Damage

In addition to the outages noted above, the significant unplanned power interruptions during the 1st quarter were:

1. January 21st: A fault on KEN-04 feeder caused an outage to 2,290 customers in the Cowan Heights area of St. John's and resulted in a total of 616,010 minutes of outage.

2. January 27th: A fault on SLA-09 feeder caused an outage to 2,263 customers in the central area of St. John's and resulted in a total of 237,615 minutes of outage.

3. February 7th: Ice on insulators on transmission line 134L caused an outage to 2,613 customers in and around Botwood and resulted in a total of 578,561 minutes of outage.

4. February 10th: A broken insulator on ROB-01 feeder caused an outage to 1,090 customers in the Robinsons area and resulted in a total of 400,030 minutes of outage.

B. Electricity Supply

Electricity Supply	1st Quarter			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan 2010
Energy Purchased (GWh) [1]	1,806.4	1,780.2	1,761.5	5,238.8
Peak Demand (MW) [1, 2]	1,237.4	1,253.8	1,237.1	1,253.8
Hydro Plant Production (GWh)	122.9	105.8	120.8	428.8
Plant Availability (%)	97.3	96.0	95.3	96.0

[1] Weather adjusted.

[2] Peak demand for the 2009/2010 winter period occurred on February 3rd, 2010 at 7:45 a.m.

Energy purchased during the 1st quarter was 26.2 GWh higher than plan due to higher than expected electricity sales.

Various components of peak load management were implemented several times during the 1st quarter. Peak demand occurred on the morning of February 3, 2010.

During the 1st quarter, hydro plant production was 17.1 GWh higher than plan. Production figures for the 1st quarter include an adjustment of 8.4 GWh to correct for a metering error at the Cape Broyle plant. Actual hydro plant production of 114.5 GWh was 8.7 GWh higher than plan. This higher production was reflective of the higher than normal amount of water in Company reservoirs at the start of the year. Total inflows for the 1st quarter were below normal, at 100.5 GWh compared to a normal inflow of 106.5 GWh.

Hydro plant availability was 97.3% in the 1st quarter compared to a plan of 96.0%. There were 61 forced outages in the 1st quarter compared to the 47 experienced in the 1st quarter of 2009. Approximately 25% of the forced outages in the 1st quarter were attributable to ice buildup.

The Company manages the Bay Bulls Big Pond reservoir as part of its Petty Harbour hydroelectric plant system. The City of St. John's also uses this reservoir as part of its municipal water supply. With recent water-use bans imposed on its residents, the City has requested that Newfoundland Power reduce the amount of water it withdraws for hydroelectric generation. Newfoundland Power has been working in a co-operative manner with the City for some years now regarding the joint use of water from the Bay Bulls Big Pond reservoir, and is continuing discussions on this matter.

4. Financial Matters

Financial Highlights	1st Quarter			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan 2010
Electricity Sales (GWh)	1,795.2	1,770.6	1,762.9	5,349.9
Revenue ($millions)	178.3	175.5	169.7	547.0
Purchased Power Costs ($millions)	131.2	129.2	127.3	351.0
Operating Costs ($millions) [1]	13.9	14.3	13.1	53.4
Operating Cost per Customer ($)	61	62	58	229
Earnings ($millions) [2]	7.2	6.3	6.2	34.0

[1] Excluding pension and early retirement program costs.
[2] Earnings applicable to common shares.

Financial Results

Revenue and purchased power costs for the 1st quarter of 2010 were higher than plan, primarily as a result of higher than expected sales. First quarter electricity sales increased by 32.3 GWh, or approximately 1.8% over the 1st quarter of 2009. This was principally due to customer growth.

Operating costs for the 1st quarter were lower than plan mainly due to lower than expected operating labour costs. This reflects the assignment of the Company's labour forces to capital work related to customer growth and storm damage repairs. Operating costs for the 1st quarter were higher than last year due to inflationary increases, increased conservation costs, and higher retirement and severance costs.

Earnings for the 1st quarter were higher than plan primarily due to higher than anticipated electricity sales and timing of operating expenses.

General Rate Application

Effective January 1st, customer rates increased by an average of approximately 3.5% as a result of the Board order on the Company's 2010 general rate application.

In March, the Company submitted an application to the Board proposing changes to the Automatic Adjustment Formula. This Formula is used to set the Company's rate of return and customer rates in years between general rate applications. Newfoundland Power proposed use of a forecast

long-term Government of Canada Bond yield in determining the forecast cost of equity to be used in the formula for 2011 and 2012. The current approach uses a 10-day observation of long-term Canada Bond yields. The Company's application was approved on April 20th, 2010.

Corporate Reorganization

In January, the Company's executive was reorganized and one executive position was eliminated. The primary change was consolidation of customer operations and engineering functions, along with increased focus on corporate planning. These changes are aimed at improving integration and efficiency in the Company's delivery of customer service.

Employee Opinion Survey

In the 1st quarter, the Company completed an employee opinion survey. The survey included topics such as safety, leadership, work environment, communications and employee commitment. The Company is responding to employee feedback by initiating improvements to safety meetings, employee recognition and employee development.

International Financial Reporting Standards ("IFRS")

The Company's transition to IFRS continues to progress on track. The treatment of regulatory assets and liabilities under IFRS remains uncertain. The International Accounting Standards Board has recently indicated its decision on this matter will be delayed due to the volume and diversity of feedback on the *Exposure Draft – Rate Regulated Activities,* which was released in 2009.

5. Capital Program

2010 Capital Expenditures	1st Quarter			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan [1] 2010
Total ($000s)	15,580	15,611	12,485	64,501

[1] Plan includes $297,000 carryover for the Western Avalon Substation Vale Inco project and $275,000 for Water Street underground civil work. Annual plan excludes the $750,000 allowance for unforeseen items.

2010 Capital Expenditure

Capital expenditures for the 1st quarter were impacted by the March 2010 ice storm in eastern Newfoundland. The storm impacted planned work in the 1st quarter, and is expected to increase annual capital expenditures by approximately $4.2 million. Distribution related capital was higher than planned, mainly due to customer growth, and is expected to increase annual capital expenditure by approximately $5.6 million.

Distribution Construction Work

In addition to the customer driven work that continued through the winter, engineering and procurement are progressing on schedule for large capital projects. Capital project activity during the 1st quarter includes:

- The tender documents for the rebuild of transmission lines 24L on the Southern Shore and 110L on the Bonavista Peninsula are complete. Tenders will be released in April.

- The supply contracts for the Lookout Brook hydro plant governor and switchgear replacement are in place. Site work will commence in June.

- The supply contract has been awarded for the Petty Harbour hydro plant main valve.

6. Safety

Safety Performance	1st Quarter			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan 2010
Injury Frequency Rate [1]	3.3	1.8	0.0	1.8

[1] Injuries per 200,000 hours worked.

Safety Performance

There were three lost time injuries and two medical aid injuries in the 1st quarter of 2010. Three of these injuries resulted from slips and falls, and two were muscle strain injuries. A total of seven calendar days were lost due to work related injury. This is an increase compared to the 1st quarter of 2009 when there were no lost time or medical aid injuries recorded. There were no preventable vehicle accidents during the quarter. This is a significant improvement compared to seven preventable vehicle accidents recorded for the 1st quarter of 2009.

Contractor Fatality

On Saturday, March 20th, 2010, an employee of a pole line construction contractor (Green's Service Station Ltd.) died from drowning while working on reconstruction of a transmission line (123L) on the Bonavista Peninsula. The employee, a heavy equipment operator, was part of a crew replacing poles damaged by the March ice storm. The excavator he was operating sank after breaking through an ice and snow covered water hole on a bog. The operator was unable to escape and could not be rescued. Investigations by Government Services, Occupational Health & Safety Division (OHSD), RCMP, the contractor and the Company are ongoing.

OH&S Regulation

On January 15th, 2010, OHSD conducted an inspection on a Company pole contractor (BNR Ltd.) working in the Portugal Cove area. The OHSD officer requested the contractor to place one additional flag person at the worksite. This was done immediately and no orders were issued.

On January 18th, 2010, the Company received a stop work order from OHSD stemming from an inspection of a Company Meter Technician who was commissioning revenue metering equipment for a new school in Paradise. The stop work order required a written procedure for the work to be developed and implemented. The written procedure was completed and provided to OHSD on January 27th, 2010. The order was lifted on February 4th, 2010.

On February 2nd, 2010, the Company received orders from OHSD stemming from an inspection of a Company line crew working on the Baie Verte highway. The orders were related to the placement of signs and the standing position of traffic control personnel (flag persons). The OHSD officers who issued the orders also requested a meeting with Company supervisors to review and discuss the Company's traffic control procedures. This meeting was held in Grand Falls-Windsor on February 3rd, 2010. No further action was required.

On March 22nd, 2010, the Company received an order to provide its investigation report of an incident where a Power Line Technician (PLT) fell from a ladder while connecting a service in the east end of St John's. The incident, which occurred on December 23rd, 2009, did not result in serious injury to the PLT. The requested information was sent to OHSD. No further action was required.

Safety Management

The annual review of the Company's Health & Safety Management System was completed in the 1st quarter. The review confirmed the adequacy and effectiveness of the system. The review also established health and safety priorities for 2010, which are subject to annual audit.

Supervisor Safety Workshops

A series of Safety Leadership workshops was held for over 50 supervisors in March. The purpose of these workshops was to review the supervisors' critical role in creating and maintaining a strong safety culture. Some of the key areas covered in these one-day workshops were incident reporting and investigation, work observations, due diligence, safety coaching and progressive corrective action.

Public Safety

During the quarter, there were two public incidents where direct contact with energized lines occurred. The first involved a fencing contractor digging up a low voltage underground service wire. The second incident occurred when a forestry contractor hooked overhead wires while off-loading a harvester. This caused three spans of energized conductor to fall to the ground. There were no injuries as a result of either incident.

Public safety education efforts were active during the 1st quarter. The Company gave presentations on electrical safety to approximately 2,200 students in 46 elementary schools throughout the province. Approximately 70 volunteer fire fighters attended one of the Company's Fire Fighting and Electricity seminars. Public safety advertising continued throughout the 1st quarter.

7. Environment

Environment Performance	1st Quarter			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan 2010
Number of Spills	22	17	14	67
Reportable PCB Spills [1]	0	0	0	2
Volume of Oil Spills (Litres)	217	225	649 [2]	900

1 Criteria for reporting of PCB spills have been revised as a result of the new PCB Regulations. PCB spills must be reported if any of the following conditions exist:
- All oil spills in water regardless of PCB concentration or volume.
- All PCB spills that exceed the one gram rule.
- All oil spills of equipment in storage / inventory (not in use) that exceed a concentration of 2 ppm PCBs regardless of quantity.

2 Of the fourteen recorded spills in the 1st quarter of 2009, a single spill contributed to a release of 519 litres.

As a result of the ice storm in early March, the number of spills in the 1st quarter has increased over the same period in 2009. The storm damaged a number of distribution transformers on the Bonavista and Avalon Peninsulas causing 6 spills. The volume of spills is significantly lower than last year, and is on track with the 2010 target.

PCB Regulations

PCB regulations require all equipment containing PCBs in a concentration of 500 mg/kg or more to be removed from service by December 31st, 2009. The Company sought and was granted an end-of-use extension to December 31st, 2014 for all bushings and instrument transformers where the PCB concentration was known to be 500 mg/kg or more or where the PCB concentration level of the subject equipment is unknown. The Canadian Electricity Association (CEA), on behalf of all CEA utility members, is seeking an amendment to the current *PCB Regulations* which would allow the use of smaller equipment such as bushings and instrument transformers until 2025. The earliest anticipated adoption of this amendment would be July 2012.

Fisheries Regulation

In mid-February 2010, Newfoundland Power received a letter from the Department of Fisheries and Oceans (DFO) pursuant to section 20 of the *Fisheries Act* to provide a fish passage around the hydroelectric generation facility on Rattling Brook. This would allow the annual migration of Atlantic salmon between the Bay of Exploits and the headwaters of Rattling Brook. The best technical solution in the opinion of DFO was to trap and transport salmon upstream and to provide bypass structures for the downstream migration. This would have an estimated capital cost of $4 million, annual operating cost of $100,000 and would result in annual energy losses of $150,000. The Company is currently reviewing this matter with DFO.

ISO 14001

In the 1st quarter, environmental training was provided to 18 employees and 78 contractor employees performing work on behalf of the Company. This training reinforced the importance for employees and contractors of performing their duties in an environmentally responsible manner.

The Annual Environmental Aspect Review, which is a requirement of ISO 14001, took place in January. In February, the annual Environment Management Review meeting was held with members of the Executive and the Environment group. It was confirmed at this meeting that the Company's Environmental Management System continues to be suitable, adequate and effective.

8. Community

The Power of Life Project

In January 2010, the employees of Newfoundland Power in Clarenville donated an ice machine to the Chemotherapy Room at the Dr. G.B. Cross Memorial Hospital on behalf of the *Power of Life Project*. The ice is used to help minimize the side effects of some chemotherapy drugs.

Clarenville Ice Machine Presentation

Employees in St. John's held their 1st Annual Kitchen Party to help raise money for the *Power of Life Project*. This was a huge success and approximately $6,200 was raised to go toward the purchase of automated blood pressure monitors for the Dr. H. Bliss Murphy Cancer Care Centre.

Cheque Presentation for the Power of Life Project

The Clarenville Area employees' 6th annual family snowmobile event raised approximately $5,600. Although the snowmobile run was cancelled due to lack of snow, the dinner was a success.

The proceeds from the event were shared equally between the *Power of Life Project* and the Triple Bay Eagles Ground Search and Rescue Team.

2010 NL Winter Games

The NL Winter Games took place in March with the support of Newfoundland Power and other corporate and community partners. The Company provided a bus transportation service called "Power Connector" for athletes and coaches. Newfoundland Power representatives were also honored to present medals to the winning male and female hockey teams.

FINANCIAL STATEMENTS

NEWFOUNDLAND POWER INC.
BALANCE SHEETS
As At March 31
($000s)

	2010	2009 [1]
Capital Assets		
Property plant and equipment	1,245,140	1,193,054
Less: accumulated amortization	451,608	430,781
	793,532	762,273
Current Assets		
Cash	2,668	239
Accounts receivable	80,862	82,636
Income tax receivable	2,955	719
Materials and supplies	980	1,021
Prepaid expenses	999	985
Regulatory assets	9,908	12,834
	98,372	98,434
Accrued Pension	98,951	94,445
Regulatory Assets	202,551	194,337
Intangible Assets, net of amortization	15,816	15,855
Other Assets	1,656	1,861
Total Assets	**1,210,878**	**1,167,205**
Shareholders' Equity		
Common shares	70,321	70,321
Retained earnings	314,133	303,290
Common shareholder's equity	384,454	373,611
Preference shares	9,111	9,352
	393,565	382,963
Current Liabilities		
Accounts payable and accrued charges	68,511	66,775
Current instalments of long-term debt	5,200	4,550
Future income taxes	1,184	725
Regulatory liabilities	6,696	9,774
	81,591	81,824
Future Income Taxes	128,217	117,900
Long-term Debt	485,598	463,149
Other Liabilities	51,994	46,229
Regulatory Liabilities	69,913	75,140
Total Shareholders' Equity and Liabilities	**1,210,878**	**1,167,205**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS
For The Periods Ended March 31
($000s)

	FIRST QUARTER			ANNUAL	
	Actual 2010	**Plan 2010**	**Actual 2009**	**Plan 2010**	**Actual 2009**
Revenue	178,274	175,467	169,683	547,048	527,179
Purchased Power	131,188	129,187	127,330	351,034	345,656
Contribution	47,086	46,280	42,353	196,014	181,523
Operating Expenses	13,917	14,273	13,082	53,402	49,315
Pension and Early Retirement Program Costs	1,847	2,031	624	8,196	2,673
Amortization	10,396	10,420	10,051	43,452	41,825
Amortization True-Up Deferral	965	965	966	3,860	3,862
Finance Charges	8,992	9,045	8,206	36,091	34,555
Earnings Before Income Taxes	10,969	9,546	9,424	51,013	49,293
Income Taxes	3,634	3,076	3,110	16,487	16,092
Net Earnings	7,335	6,470	6,314	34,526	33,201
Dividends on Preference Shares	142	141	147	564	573
Earnings Applicable to Common Shares	**7,193**	**6,329**	**6,167**	**33,962**	**32,628**

NEWFOUNDLAND POWER INC.
STATEMENTS OF RETAINED EARNINGS
For The Periods Ended March 31
($000s)

	2010	2009
Balance, Beginning of the Period	310,864	303,417
Net Earnings	7,335	6,314
Dividends		
Preference Shares	(142)	(147)
Common Shares	(3,924)	(6,294)
Balance, End of the Period	**314,133**	**303,290**

NEWFOUNDLAND POWER INC.
STATEMENTS OF CASHFLOWS
For The Periods Ended March 31
($000s)

	2010	2009 [1]
Operating Activities		
Net earnings	7,335	6,314
Items not affecting cash:		
Amortization of property, plant and equipment	9,687	9,328
Amortization of intangibles and other	767	782
Change in regulatory assets amd liabilities	2,429	96
Future income taxes	(966)	134
Employee future benefits	(1,189)	(1,238)
Change in non-cash working capital	(11,955)	(25,950)
	6,108	(10,534)
Investing Activities		
Capital expenditures (net of salvage)	(16,307)	(13,052)
Intangible expenditures	(412)	(433)
Contributions from customers and other	537	580
	(16,182)	(12,905)
Financing Activities		
Net proceeds from committed credit facility	11,500	29,500
Dividends		
Preference shares	(142)	(147)
Common shares	(3,924)	(6,294)
	7,434	23,059
Decrease in Cash	(2,640)	(380)
Cash, Beginning of the Period	5,308	619
Cash, End of the Period	**2,668**	**239**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

APPENDICES

NEWFOUNDLAND POWER INC.
ELECTRICITY STATISTICS
For The Periods Ended March 31

	FIRST QUARTER		ANNUAL
	2010	**2009**	**2009**
Sales (GWh)			
Actual	1,684.5	1,735.7	5,227.5
Weather adjusted	1,795.2	1,762.9	5,299.0
Plan[1]	1,770.6		
Produced & Purchased (GWh)			
Actual	1,795.2	1,849.1	5,538.2
Weather adjusted	1,912.2	1,878.0	5,613.8
Plan[1]	1,886.0		
Hydro Production (GWh)			
Actual	122.9	120.8	426.7

[1] Based on Customer, Energy and Demand Forecast dated December 11, 2009.

NEWFOUNDLAND POWER INC.
STATEMENTS OF ELECTRICITY SOLD (GWh)
For The Periods Ended March 31

WEATHER ADJUSTED

	FIRST QUARTER			ANNUAL	
BY SALES CATEGORY	**Actual 2010**	**Plan[1] 2010**	**Actual 2009**	**Plan[1] 2010**	**Actual 2009**
Residential	1,170.2	1,147.5	1,139.2	3,234.9	3,203.3
Commercial					
0-10 kW	28.8	28.2	28.2	89.7	89.8
10-100 kW	205.8	206.0	203.4	653.0	640.9
110-1000 kVA	271.6	269.2	268.8	898.7	890.5
1000 kVA and Over	108.5	109.7	113.1	437.6	438.0
Total Commercial	614.7	613.1	613.5	2,079.0	2,059.2
Street Lighting	10.3	10.0	10.2	36.0	36.5
Total Sales	**1,795.2**	**1,770.6**	**1,762.9**	**5,349.9**	**5,299.0**
BY REGION					
Eastern [2]	1,267.5	1,245.6	1,238.6	3,761.1	3,719.3
Western [3]	527.7	525.0	524.3	1,588.8	1,579.7
Total Sales	**1,795.2**	**1,770.6**	**1,762.9**	**5,349.9**	**5,299.0**

[1] Based on Customer, Energy and Demand Forecast dated December 11, 2009.

[2] Eastern Region includes the St. John's, Avalon, Burin and Clarenville operating areas.

[3] Western Region includes the Gander, Grand Falls - Windsor, Corner Brook and Stephenville operating areas.

NEWFOUNDLAND POWER INC.
STATEMENTS OF REVENUE
For The Periods Ended March 31
($000s)

WEATHER ADJUSTED

BY SALES CATEGORY	FIRST QUARTER Actual 2010	FIRST QUARTER Plan [1] 2010	FIRST QUARTER Actual 2009	ANNUAL Plan [1] 2010	ANNUAL Actual 2009
Residential	113,714	111,685	105,949	325,881	309,360
Commercial					
0-10 kW	3,688	3,627	3,546	12,029	11,840
10-100 kW	20,215	20,209	19,417	65,650	63,318
110-1000 kVA	23,168	22,791	22,195	76,551	74,182
1000 kVA and Over	8,200	8,316	8,283	32,480	31,675
Total Commercial	55,271	54,943	53,441	186,710	181,015
Street Lighting	3,371	3,349	3,218	13,408	12,862
Forfeited Discounts	866	962	981	2,783	2,644
Revenue From Rates	**173,222**	**170,939**	**163,589**	**528,782**	**505,881**
Energy Supply Cost Variance [2]	834	-	1,659	-	2,878
Amortizations [3]					
2010 Pension Expense Variance Deferral	(160)	-	-	-	-
2005 Unbilled Remaining Balance	1,155	1,155	1,155	4,618	4,618
Total Reported Revenue	**175,051**	**172,094**	**166,403**	**533,400**	**513,377**
Other Revenue	3,223	3,373	3,280	13,648	13,802
Total Operating Revenue	**178,274**	**175,467**	**169,683**	**547,048**	**527,179**

(1) Based on 2010 Test Year sales forecast dated December 11, 2009 and rates effective January 1, 2010 as approved by Order No. P.U. 46(2009).
(2) Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).
(3) Revenue amortizations as approved in Order No. P.U. 43(2009) & Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
SUMMARY OF WEATHER ADJUSTMENTS
For The Periods Ended March 31
($000s)

	FIRST QUARTER			ANNUAL	
REVENUE FROM ELECTRICITY SALES	**Actual 2010**	**Plan [1] 2010**	**Actual 2009**	**Plan [1] 2010**	**Actual 2009**
Actual	163,908	170,939	161,409	528,782	500,123
Degree Day & Wind Adjustment	9,314	-	2,180	-	5,758
Weather Adjusted	**173,222**	**170,939**	**163,589**	**528,782**	**505,881**
Energy Supply Cost Variance [2]	834	-	1,659	-	2,878
Amortizations [3]					
2010 Pension Expense Variance Deferral	(160)	-	-	-	-
2005 Unbilled Remaining Balance	1,155	1,155	1,155	4,618	4,618
Total Reported Revenue	**175,051**	**172,094**	**166,403**	**533,400**	**513,377**
PURCHASED POWER EXPENSE					
Actual	118,880	128,686	123,910	349,023	336,954
Degree Day & Wind Adjustment	10,303	-	2,540	-	6,663
Hydro Equalization Adjustment	1,504	-	382	-	29
Purchased Power Weather Adjusted	**130,687**	**128,686**	**126,832**	**349,023**	**343,646**
Amortizations [4]					
Rattling Brook Deferral	150	150	150	598	598
PPUCVR Balance at Dec 31, 2006	(174)	(174)	(174)	(688)	(688)
Weather Normalization Reserve	525	525	522	2,101	2,100
Total Purchased Power Expense	**131,188**	**129,187**	**127,330**	**351,034**	**345,656**

(1) Based on 2010 Test Year sales forecast dated December 11, 2009 and rates effective January 1, 2010 as approved by Order No. P.U. 46(2009).
(2) Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).
(3) Revenue amortizations as approved in Order No. P.U. 43(2009) & Order No. P.U. 32(2007).
(4) Amortizations for 2009 & 2010 as appproved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS - DETAIL
For The Periods Ended March 31
($000s)

	FIRST QUARTER			ANNUAL	
	Actual 2010	Plan 2010	Actual 2009	Plan 2010	Actual 2009
Other Revenue					
Joint Use Revenue					
Aliant	1,805	1,806	1,745	7,392	7,219
CATV	507	498	502	1,993	2,000
Total Joint Use Revenue	2,312	2,304	2,247	9,385	9,219
Miscellaneous					
Customer Jobbing	82	104	98	445	663
Rental Income	-	6	-	25	17
Municipal Tax Liability[1]	341	341	342	1,362	1,364
Interest - Customer Accounts	230	311	266	1,222	818
Interest - RSA	26	(11)	50	(44)	-
Interest - CIAC	26	32	27	125	107
Interest - Other	27	32	33	125	243
Reconnections	8	22	6	86	85
NSF Cheque Charges	9	10	10	40	34
Wheeling Charges	160	135	160	532	566
Miscellaneous	(50)	18	(7)	75	434
Service Connection Fees	52	69	48	270	252
Total Miscellaneous	911	1,069	1,033	4,263	4,583
Total Other Revenue	**3,223**	**3,373**	**3,280**	**13,648**	**13,802**
Finance Charges					
Interest on Long-term Debt	8,988	8,988	8,015	35,849	34,547
Interest on Long-term Committed Credit Facility	51	88	192	390	396
Interest on Short-term Uncommitted Demand Facility	-	-	1	-	7
Amortization of Deferred Debt Issue Costs	48	46	49	185	235
Amortization of Capital Stock Issue Expenses	9	9	9	38	38
Interest on Security Deposits	1	-	5	-	8
Interest Charged to Construction	(105)	(86)	(65)	(371)	(676)
Total Finance Charges	**8,992**	**9,045**	**8,206**	**36,091**	**34,555**

[1] Amortization of the Municipal Tax Liability as approved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
CUSTOMER AND EMPLOYEE STATISTICS
As At March 31

	FIRST QUARTER		ANNUAL	
	Actual 2010	**Actual 2009**	**Plan 2010**	**Actual 2009**
Customers	240,377	236,590	241,634	239,307
Employees [1]				
Regular	569	559	579	572
Temporary	55	79	72	72
Total	624	638	651	644

[1] Refers to full time equivalents.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY AREA
For The Periods Ended March 31

	SAIFI					SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR	QUARTER		12 MONTH TO DATE		5 YEAR
AREA	2010 #	2009 #	2010 #	2009 #	TO DATE # / YEAR	2010 HOURS	2009 HOURS	2010 HOURS	2009 HOURS	TO DATE HRS. / YEAR
St. John's	0.35	0.75	1.79	2.32	2.23	0.40	0.87	1.69	2.10	2.13
Avalon	0.78	0.61	2.06	1.95	2.16	6.26	0.69	7.71	1.89	4.07
Burin	0.92	0.87	3.89	3.96	4.38	1.23	1.53	3.73	4.30	4.13
Bonavista	3.77	0.43	5.52	5.55	5.45	30.86	0.63	33.00	6.80	18.15
Gander	1.05	1.02	3.95	4.76	3.89	2.09	1.21	5.28	5.43	5.05
Grand Falls	0.59	0.94	2.63	3.06	2.76	0.96	0.44	4.26	3.42	3.41
Corner Brook	0.87	0.45	2.50	1.84	2.62	0.65	0.56	2.21	2.63	2.59
Stephenville	0.84	1.17	2.47	4.65	3.78	1.23	1.30	2.93	3.03	3.46
Company Totals	**0.83**	**0.75**	**2.54**	**2.94**	**2.86**	**3.59**	**0.85**	**5.40**	**2.99**	**4.06**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended March 31

ORIGIN	SAIFI QUARTER 2010 #	SAIFI QUARTER 2009 #	SAIFI 12 MONTH TO DATE 2010 #	SAIFI 12 MONTH TO DATE 2009 #	5 YEAR TO DATE # / YEAR
Loss of Supply (NF Hydro)	0.02	0.12	0.37	0.41	0.51
Transmission	0.36	0.07	0.88	0.82	0.82
Distribution	0.45	0.56	1.29	1.71	1.53
Company Totals	**0.83**	**0.75**	**2.54**	**2.94**	**2.86**

System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended March 31

ORIGIN	SAIDI QUARTER 2010 HOURS	SAIDI QUARTER 2009 HOURS	SAIDI 12 MONTH TO DATE 2010 HOURS	SAIDI 12 MONTH TO DATE 2009 HOURS	5 YEAR TO DATE HRS. / YEAR
Loss of Supply (NF Hydro)	0.01	0.05	0.08	0.11	0.21
Transmission	1.80	0.09	2.10	0.72	0.96
Distribution	1.78	0.71	3.22	2.16	2.89
Company Totals	**3.59**	**0.85**	**5.40**	**2.99**	**4.06**

System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BREAKDOWN REPORT
First Quarter 2010

AREA	SCHEDULED		UNSCHEDULED		TOTAL	
	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS
St. John's	0.03	0.01	0.32	0.39	0.35	0.40
Avalon	0.12	0.07	0.66	6.19	0.78	6.26
Burin	0.23	0.42	0.69	0.81	0.92	1.23
Bonavista	0.10	0.17	3.67	30.69	3.77	30.86
Gander	0.47	0.71	0.58	1.38	1.05	2.09
Grand Falls	0.11	0.16	0.48	0.80	0.59	0.96
Corner Brook	0.19	0.23	0.68	0.42	0.87	0.65
Stephenville	0.14	0.25	0.70	0.98	0.84	1.23
Company Totals	**0.13**	**0.16**	**0.70**	**3.43**	**0.83**	**3.59**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.

CAPITAL EXPENDITURE PROGRESS REPORT

For the Period Ended March 31, 2010

Introduction

The Capital Expenditure Progress Report summarizes the capital expenditures of the various capital accounts of the Company and lists any new lease obligations in excess of $5,000 per year.

The report is divided into three sections as follows:

1. The Budget section outlines the annual capital expenditure budget approved by the Public Utilities Board for the current year.

2. The Expenditure section outlines actual capital expenditures for the current quarter and indicates the portion of the annual capital budget remaining to be expended (difference between annual budget and current quarter actual).

3. The Leasing Arrangement section includes a brief description of the item being leased, the leasing period, and the annual and quarterly leasing costs.

NEWFOUNDLAND POWER INC.
CAPITAL EXPENDITURE PROGRESS REPORT
For the Period Ended March 31, 2010
($000s)

	BUDGET	EXPENDITURE [1]	
	Approved by Order No. P.U. 41(2009)	First Quarter	Unexpended Balance
Generation Hydro	5,279	396	4,883
Generation Thermal	150	3	147
Substations	10,218	1,365	8,853
Transmission	5,915	224	5,691
Distribution	31,965	8,496	23,469
General Property	1,381	122	1,259
Transportation	2,352	861	1,491
Telecommunications	379	33	346
Information Systems	3,490	1,008	2,482
Unforeseen Items[2]	750	1,796	(1,046)
General Expenses Capital	2,800	1,020	1,780
TOTAL	64,679	15,324	49,355

Leasing Arrangements Entered Into			
Brief description	Period	Annual Cost	Quarterly payments
	There were no lease obligations in excess of $5,000 annually entered into during the first quarter of 2010.		

[1] Excludes capital expenditures of approximately $256,000 related to prior years capital projects carried forward into 2010.

[2] Unforeseen expenditures in the 1st Quarter were a result of the March ice storm in eastern Newfoundland.

NEWFOUNDLAND POWER INC.

INTER-COMPANY TRANSACTIONS REPORT

For the Period Ended March 31, 2010

Introduction

The Inter-Company Transactions Report summarizes transactions between the Company and related corporations on a quarterly and year-to-date basis. The report itemizes the charges by type and distinguishes between regulated and non-regulated charges. The report also documents any contracts, agreements or loans between Newfoundland Power and any related corporation that were signed in the current quarter.

The report is divided into four sections as follows:

1. The first section aggregates charges from all related corporations and presents a summary, by charge type, for the current quarter and the same period last year, as well as comparable annual charges for the previous year.

2. The second section breaks down the charges ***from*** each individual related corporation and presents an itemized quarterly summary for the current year and the same period last year, as well as comparable annual charges for the previous year.

3. The third section breaks down the charges ***to*** each individual related corporation and presents an itemized quarterly summary for the current year and the same period last year, as well as comparable annual charges for the previous year.

4. The fourth section lists any contracts or agreements that were signed between the Company and any related corporation as well as any loans with related corporations. Loan information provided includes the amount of the loan, the date of borrowing and date of repayment, the interest rate, and total interest paid.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Summary of Charges
For The Period Ended March 31, 2010

Charges from Associated Companies

Regulated Charges	First Quarter 2010	First Quarter 2009	Annual 2009
Trustee & Share Plan Costs	$ 12,000	$ 10,000	$ 42,000
Hotel/Banquet Facilities	7,310	4,380	25,627
Staff Charges	-	12,000	12,000
Joint-use Pole Purchases	1,173	1,337	2,532
Miscellaneous	15,304	26,744	65,982
Sub-total	$ 35,787	$ 54,461	$ 148,141

Non-Regulated Charges	First Quarter 2010	First Quarter 2009	Annual 2009
Directors' Fees & Travel	$ 57,000	$ 43,000	$ 226,000
Annual & Quarterly Reports	30,000	28,000	91,000
Staff Charges	65,000	50,000	71,000
Miscellaneous	85,000	61,000	695,521
Sub-total	$ 237,000	$ 182,000	$ 1,083,521
TOTAL	$ 272,787	$ 236,461	$ 1,231,662

Charges to Associated Companies

	First Quarter 2010	First Quarter 2009	Annual 2009
Printing & Stationery	$ 98	$ 237	$ 843
Postage	6,407	5,714	20,689
Staff Charges	203,559	144,380	531,450
Staff Charges - Insurance	64,490	68,811	244,753
IS Charges	-	-	22,022
Pole Installations	3,975	3,305	23,599
Miscellaneous	9,353	3,485	41,697
TOTAL	$ 287,882	$ 225,932	$ 885,053

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended March 31, 2010

	First Quarter 2010			First Quarter 2009			Annual 2009		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.									
Directors' Fees & Travel	$ -	$ 57,000	$ 57,000	$ -	$ 43,000	$ 43,000	$ -	$ 226,000	$ 226,000
Annual & Quarterly Reports	-	30,000	30,000	-	28,000	28,000	-	91,000	91,000
Trustee & Share Plan Costs	12,000	-	12,000	10,000	-	10,000	42,000	-	42,000
Staff Charges	-	65,000	65,000	-	50,000	50,000	-	71,000	71,000
Joint-use Pole Purchases	1,173	-	1,173	1,337	-	1,337	2,532	-	2,532
Miscellaneous	5,468	85,000	90,468	21,973	61,000	82,973	35,862	695,521	731,383
Total	$ 18,641	$ 237,000	$ 255,641	$ 33,310	$ 182,000	$ 215,310	$ 80,394	$ 1,083,521	$ 1,163,915
Fortis Properties Corporation									
Staff Charges	$ -	$ -	$ -	$ 12,000	$ -	$ 12,000	$ 12,000	$ -	$ 12,000
Hotel/Banquet Facilities	7,310	-	7,310	4,380	-	4,380	25,627	-	25,627
Miscellaneous	3,322	-	3,322	-	-	-	4,681	-	4,681
Total	$ 10,632	$ -	$ 10,632	$ 16,380	$ -	$ 16,380	$ 42,308	$ -	$ 42,308
Maritime Electric Co. Ltd.									
Miscellaneous	$ 2,914	$ -	$ 2,914	$ 2,636	$ -	$ 2,636	$ 8,977	$ -	$ 8,977
Total	$ 2,914	$ -	$ 2,914	$ 2,636	$ -	$ 2,636	$ 8,977	$ -	$ 8,977
FortisBC Inc.									
Miscellaneous	$ 3,600	$ -	$ 3,600	$ 2,135	$ -	$ 2,135	$ 16,462	$ -	$ 16,462
Total	$ 3,600	$ -	$ 3,600	$ 2,135	$ -	$ 2,135	$ 16,462	$ -	$ 16,462

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended March 31, 2010

	First Quarter 2010	First Quarter 2009	Annual 2009
Fortis Inc.			
Printing & Stationery	$ -	$ -	$ 129
Postage	6,407	5,714	20,689
Staff Charges	171,785	74,043	327,534
Staff Charges - Insurance	44,531	55,385	173,887
IS Charges	-	-	277
Pole Installations	3,975	3,305	23,599
Miscellaneous	358	437	11,969
Total	$ 227,056	$ 138,884	$ 558,084
Fortis Properties Corporation			
Printing & Stationery	$ 98	$ 237	$ 714
Staff Charges - Insurance	8,463	6,753	13,517
IS Charges	-	-	4,432
Miscellaneous	8,955	601	4,691
Total	$ 17,516	$ 7,591	$ 23,354
Maritime Electric Co. Ltd.			
Staff Charges	$ 830	$ 347	$ 1,932
Staff Charges - Insurance	568	437	1,488
IS Charges	-	-	2,424
Miscellaneous	-	101	701
Total	$ 1,398	$ 885	$ 6,545
FortisOntario Inc.			
Staff Charges - Insurance	$ 3,584	$ 134	$ 17,688
IS Charges	-	-	2,424
Miscellaneous	-	3	273
Total	$ 3,584	$ 137	$ 20,385
Belize Electric Company Limited			
Staff Charges	$ 7,823	$ 22,070	$ 86,581
Staff Charges - Insurance	-	810	8,743
Total	$ 7,823	$ 22,880	$ 95,324

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended March 31, 2010

	First Quarter 2010	First Quarter 2009	Annual 2009
Belize Electricity Limited			
Staff Charges	$ 190	$ 889	$ 11,424
Staff Charges - Insurance	1,296	2,376	8,436
IS Charges	-	-	4,155
Miscellaneous	40	201	4,863
Total	$ 1,526	$ 3,466	$ 28,878
FortisAlberta Inc.			
Staff Charges - Insurance	$ -	$ 432	$ 3,456
Miscellaneous	-	551	3,441
Total	$ -	$ 983	$ 6,897
FortisBC Inc.			
Staff Charges - Insurance	$ -	$ 216	$ 1,620
IS Charges	-	-	8,310
Miscellaneous	-	225	2,203
Total	$ -	$ 441	$ 12,133
Terasen Gas Inc.			
Staff Charges - Insurance	$ 378	$ -	$ 1,296
Miscellaneous	-	420	6,425
Total	$ 378	$ 420	$ 7,721
Caribbean Utilities Co. Limited			
Staff Charges	$ -	$ -	$ 888
Staff Charges - Insurance	2,268	108	6,837
Miscellaneous	-	101	101
Total	$ 2,268	$ 209	$ 7,826
Fortis Turks and Caicos			
Staff Charges	$ 22,931	$ 47,031	$ 103,091
Staff Charges - Insurance	3,402	2,160	7,785
Miscellaneous	-	845	7,030
Total	$ 26,333	$ 50,036	$ 117,906

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Agreements With Associated Companies
For the Period Ended March 31, 2010

No loans or agreements with related companies were entered into during the quarter ending March 31, 2010.

NEWFOUNDLAND POWER INC.

CUSTOMER PROPERTY DAMAGE CLAIMS REPORT

For the Quarter Ending March 31, 2010

Introduction

The Customer Property Damage Claims Report contains an overview of all damage claims activity summarized on a quarterly basis. The information contained in the report is broken down by cause as well as by the operating region where the claims originated.

The report is divided into four sections as follows:

1. The first section indicates the number of claims received during the quarter coupled with claims outstanding from the previous quarter.

2. The second section shows the number of claims for which the Company has accepted responsibility and the amount paid to claimants versus the amount originally claimed.

3. The third section shows the number of claims rejected and the dollar value associated with those claims.

4. The fourth section indicates those claims that remain outstanding at the end of the current quarter and the dollar value associated with such claims.

Overview - First Quarter

The total number of damage claims received during the first quarter of 2010 has decreased in comparison to the number of claims received during the same period in 2009. The decrease is found primarily in the Equipment Failure and Miscellaneous categories.

Please note that the number of claims outstanding from the last quarter has been reduced by two as a result of claims being withdrawn by customers. These claims were originally reported under System Operations and Miscellaneous in our Eastern Region. The new total of outstanding claims is 22, down from 24 as reported in the summary for the quarter ending December 2009.

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Cause

For the Quarter Ending March 31, 2010

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	2	-	2	-	$ -	$ -	1	$ 1,000	1	$ 1,000
Power Interruptions	7	-	7	4	472	472	1	600	2	960
Improper Workmanship	11	3	14	7	15,729	8,379	-	-	7	10,550
Weather Related	-	1	1	-	-	-	-	-	1	5,000
Equipment Failure	18	14	32	22	19,195	17,796	-	-	10	28,255
Third Party	2	-	2	-	-	-	-	-	2	1,200
Miscellaneous	6	4	10	6	2,355	1,355	1	500	3	1,890
Total	**46**	**22**	**68**	**39**	**$ 37,751**	**$ 28,002**	**3**	**$ 2,100**	**26**	**$ 48,855**

For the Quarter Ending March 31, 2009

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	4	-	4	1	$ 200	$ 200	-	$ -	3	$ 1,245
Power Interruptions	-	-	-	-	-	-	-	-	-	-
Improper Workmanship	14	1	15	10	18,631	8,870	-	-	5	8,650
Weather Related	-	-	-	-	-	-	-	-	-	-
Equipment Failure	35	6	41	34	32,426	24,144	-	-	7	8,700
Third Party	-	-	-	-	-	-	-	-	-	-
Miscellaneous	20	2	22	16	10,508	7,338	-	-	6	45,447
Total	**73**	**9**	**82**	**61**	**$ 61,765**	**$ 40,552**	**-**	**$ -**	**21**	**$ 64,042**

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Region

For the Quarter Ending March 31, 2010

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	33	17	50	26	$ 25,654	$ 16,585	3	$ 2,100	21	$ 42,955
Western Region	13	5	18	13	12,097	11,417	-	-	5	5,900
Total	**46**	**22**	**68**	**39**	**$ 37,751**	**$ 28,002**	**3**	**$ 2,100**	**26**	**$ 48,855**

For the Quarter Ending March 31, 2009

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	46	4	50	31	$ 42,547	$ 21,334	-	$ -	19	$ 62,042
Western Region	27	5	32	30	19,218	19,218	-	-	2	2,000
Total	**73**	**9**	**82**	**61**	**$ 61,765**	**$ 40,552**	**-**	**$ -**	**21**	**$ 64,042**

Definitions of Causes of Damage Claims

1. **System Operations:** Claims arising from system operations. Examples include normal reclosing or switching.

2. **Power Interruptions:** Claims arising from interruption of power supply. Examples include all scheduled or unscheduled interruptions.

3. **Improper Workmanship:** Claims arising from failure of electrical equipment caused by improper workmanship or methods. Examples include improper crimping of connections, insufficient sealing and taping of connections, improper maintenance, inadequate clearance, or improper operation of equipment.

4. **Weather Related:** Claims arising from weather conditions. Examples include wind, rain, ice, lightning, or corrosion caused by weather.

5. **Equipment Failure:** Claims arising from failure of electrical equipment not caused by improper workmanship. Examples include broken neutrals, broken tie wires, transformer failure, insulator failure or broken service wire.

6. **Third Party:** Claims arising from equipment failure caused by acts of third parties. Examples include motor vehicle accidents and vandalism.

7. **Miscellaneous:** All claims not related to electrical service.

NEWFOUNDLAND POWER INC.

CONTRIBUTION IN AID OF CONSTRUCTION
QUARTERLY ACTIVITY REPORT

For the Period Ended March 31, 2010

The table below summarizes Contribution In Aid of Construction (CIAC) activity for the first quarter of 2010. The table is divided into three sections. The first section identifies the type of service for which a CIAC has been calculated. Services are categorized as Domestic (located within a Residential Planning Area), Domestic (located outside a Residential Planning Area) or General Service.

The second section indicates the number of CIACs quoted during the quarter as well as the number of CIAC quotes that remained outstanding at the end of the previous quarter. This format facilitates a reconciliation of the total number of CIACs that were active during the quarter.

The third section provides information as to the disposition of the total CIACs quoted. A CIAC is considered Accepted when a customer indicates they wish to proceed with construction of the extension and has agreed to pay any charge that may be applicable. A CIAC is considered Outdated after six months has elapsed and the customer has not indicated their intention to proceed with the extension. A quoted CIAC is Outstanding if it is neither Accepted nor Outdated.

Type of Service	CIACs Quoted	CIACs Outstanding Previous Qtr.	Total CIACs Quoted	CIACs Accepted	CIACs Outdated	Total CIACs Outstanding
Domestic						
- Within Planning Area	14	12	26	12	2	12
- Outside Planning Area	31	17	48	17	8	23
	45	29	74	29	10	35
General Service	14	7	21	6	4	11
Total	59	36	95	35	14	46

The tables on Page 2 and 3 of the report provide specific information for the 59 CIACs quoted to customers during the period January 1, 2010 to March 31, 2010. Both the CIAC amounts quoted and the Estimated Construction Costs exclude HST.

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
First Quarter 2010

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (within Residential Planning Area)				
12-Jan-10	2009-20-227	5,875.00	8,000.00	Yes
15-Jan-10	2010-41-100	3,525.00	5,650.00	Yes
21-Jan-10	2010-20-101	1,675.00	3,800.00	Yes
21-Jan-10	2010-20-102	1,100.00	3,225.00	Yes
22-Jan-10	2010-20-103	1,350.00	3,475.00	Yes
27-Jan-10	2010-20-106	2,525.00	6,775.00	Yes
1-Feb-10	2009-10-187	1,875.00	4,000.00	Yes
4-Feb-10	2010-51-101	1,055.00	3,930.00	
10-Feb-10	2010-20-105	2,050.00	4,175.00	
11-Feb-10	2010-20-108	2,050.00	4,175.00	
17-Feb-10	2010-20-109	1,325.00	3,450.00	Yes
1-Mar-10	2010-20-111	450.00	2,325.00	
1-Mar-10	2010-20-113	1,600.00	3,725.00	
18-Mar-10	2010-20-117	3,910.00	6,460.00	
DOMESTIC (outside Residential Planning Area)				
4-Jan-10	2009-41-125	550.00	1,175.00	Yes
13-Jan-10	2009-10-164	1,050.00	1,675.00	
15-Jan-10	2009-10-185	3,274.17	3,899.17	
15-Jan-10	2009-10-186	3,274.17	3,899.17	
15-Jan-10	2009-10-188	3,274.17	3,899.17	
18-Jan-10	2010-20-100	2,813.68	3,438.68	Yes
19-Jan-10	2010-10-102	2,149.14	2,774.14	Yes
25-Jan-10	2010-20-104	600.00	1,725.00	Yes
26-Jan-10	2010-10-105	3,274.17	3,899.17	Yes
27-Jan-10	2010-10-106	2,149.14	2,774.14	
1-Feb-10	2009-10-184	1,879.34	2,504.34	
10-Feb-10	2009-20-225	387,021.40	466,021.40	
10-Feb-10	2010-20-107	3,152.50	3,775.50	Yes
18-Feb-10	2009-10-166	2,149.14	2,774.14	Yes
18-Feb-10	2010-20-110	2,102.30	2,727.30	Yes
18-Feb-10	2010-50-101	4,057.60	4,682.60	
1-Mar-10	2009-10-165	3,372.00	3,997.00	
1-Mar-10	2009-10-182	2,289.64	3,039.64	
1-Mar-10	2009-40-140	9,633.50	10,258.50	Yes
1-Mar-10	2010-40-100	6,645.13	7,270.13	
2-Mar-10	2010-20-112	4,170.21	4,795.21	Yes
2-Mar-10	2010-30-100	3,363.50	3,988.50	Yes
5-Mar-10	2010-20-116	2,102.30	2,727.30	
11-Mar-10	2010-40-104	3,511.68	4,136.68	

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
First Quarter 2010

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (outside Residential Planning Area)				
29-Mar-10	2010-20-118	240.00	990.00	
29-Mar-10	2010-20-120	10,200.00	10,950.00	
29-Mar-10	2010-20-121	2,102.30	2,727.30	
29-Mar-10	2010-20-122	2,755.20	3,505.20	
30-Mar-10	2010-50-104	1,580.00	2,330.00	
31-Mar-10	2010-31-103	4,477.50	6,427.50	
31-Mar-10	2010-50-106	2,961.54	3,711.54	Yes
GENERAL SERVICE				
13-Jan-10	2009-10-168	1,009.00	3,200.00	Yes
27-Jan-10	2010-50-100	25,312.00	27,437.00	
28-Jan-10	2010-31-101	2,919.12	8,974.12	
2-Feb-10	2010-10-101	4,738.04	10,793.04	Yes
18-Feb-10	2010-10-110	6,497.50	16,510.00	
25-Feb-10	2010-50-102	7,433.40	12,350.00	
1-Mar-10	2010-41-101	2,500.00	8,000.00	
2-Mar-10	2010-20-114	10,560.00	11,060.00	
11-Mar-10	2010-40-102	2,214.00	13,809.00	Yes
15-Mar-10	2010-10-114	3,850.00	10,300.00	Yes
19-Mar-10	2010-20-115	56,834.29	57,428.29	
19-Mar-10	2010-30-101	360.00	6,750.00	
24-Mar-10	2010-40-105	10,458.00	14,600.00	
29-Mar-10	2010-20-119	690.00	3,240.00	Yes

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
PO Box 8910
St. John's, Newfoundland
A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

August 12, 2010

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

Enclosed are eleven copies of Newfoundland Power Inc.'s Quarterly Regulatory Report for the quarter ending June 30, 2010.

The report is divided into five sections: Quarterly Summary; Capital Expenditure Progress; Inter-Company Transactions; Customer Property Damage Claims; and Contribution In Aid of Construction Activity.

If you have any questions on the enclosed, please contact the undersigned at the direct number noted below.

Yours very truly,

Gerard M. Hayes
Senior Counsel

Enclosures

c. Geoffrey P. Young
Newfoundland & Labrador Hydro

Quarterly Regulatory Report

For The Period Ended

June 30, 2010

QUARTERLY REGULATORY REPORT

FOR THE PERIOD ENDED

June 30, 2010

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1. Highlights

Highlights	2nd Quarter			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan 2010
Customer Satisfaction (%)	90	89	90	89
Electricity Delivery [1]				
Electricity Sales (GWh)	1,220.2	1,210.0	1,177.2	5,349.9
Peak Demand (MW) [2]	1,237.4	1,253.8	1,237.1	1,253.8
Customer Minutes of Outage [3]	6.1	6.9	5.7	36.6
Injury Frequency Rate [4]	2.0	1.8	0.7	1.8
Revenue ($millions)	126.2	125.2	118.1	547.0
Earnings ($millions) [5]	11.0	10.6	10.7	34.0

- 2nd quarter customer satisfaction was 90%.
- Electricity sales were higher than plan.
- Reliability was better than plan.
- One lost time incident occurred in the 2nd quarter.
- 2nd quarter earnings were above plan.

1 Weather adjusted.
2 Peak demand for the 2009/2010 winter period occurred on February 3rd, 2010 at 7:45 a.m.
3 In millions of minutes, excluding Hydro related interruptions.
4 Injuries per 200,000 hours worked.
5 Earnings applicable to common shares.

2. Customer Service

Customer Service Performance (%)	Year to Date			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan 2010
Customer Satisfaction	89	89	90	89
First Call Resolution [1]	89	88	89	88
Service Level [2]	74	80	79 [4]	80
Trouble Call Response [3]	88	85	93	85

[1] % of customer calls resolved on first contact.
[2] % of customer calls answered within 60 seconds.
[3] % of trouble call response within two hours.
[4] % of customer calls answered within 40 seconds.

Customer Service Performance

2nd quarter customer satisfaction was 90%. First call resolution is generally consistent with last quarter and 2009. While year to date service level has been below plan, the monthly service level in June was slightly above plan at 81%.

Customer Service Improvements

ebills advertising campaign

The Company's advertising campaign increased the number of customers participating in eBills by 1,692. This represents over one third of the total number added in 2009, and brings current participation in this program to over 31,000 customers.

The Company has undertaken three automated meter reading projects that are expected to reduce meter reading requirements by eight days per month. The projects involve four commercial routes in St. John's (Water Street and Kenmount Road), as well as three meter-reading routes in Buchans and one in Badger Lake.

Retail Rate Review

On March 26th, 2010, Newfoundland Power provided the Public Utilities Board (the "Board") with a status update and revised schedule for the ongoing review of existing and alternative customer rate designs. Based on further analysis and consultation with the Consumer Advocate, the Company also filed a summary report on illustrative time-of-use rates on June 30th, 2010.

In early July, an information session was held with Board staff, and a process conference was held to establish the process and schedule to conclude the review. As a result, the Company will develop a proposal for alternative rate structures, including an optional seasonal rate for residential customers and a pilot of time-of-day rates. This proposal is scheduled to be filed with the Board by mid-October, for implementation of the new customer rate options by July 1st, 2011.

Energy Conservation

During the 1st half of 2010, 1,683 Newfoundland Power customers participated in one or more of the *takeCHARGE!* Energy Savers programs. Energy savings from these participants represent approximately 98% of the Company's annual energy savings target for 2010 of 4.4 GWh.

Annual Home Show
Industry Night April 29th, 2010 – Mile One

During the 2nd quarter, the *takeCHARGE!* team attended 31 events, and gave 22 presentations to customer and partner groups. Some of the *takeCHARGE!* events during this quarter included the Municipalities NL Symposium, Newfoundland Environmental Industries Association Annual Convention, Deer Lake Business Showcase, Port aux Basques Business Expo, Grand Falls-Windsor Home Show, and the Professional Municipal Administrators Annual Convention.

RUCKUS On The Edge - April 17th, 2010 – Delta Hotel
takeCHARGE! puts the pedal to the metal

Together with Newfoundland and Labrador Hydro, the *takeCHARGE!* team took part in the JUNO Ruckus On The Edge Green Radio event. Using only a simple mountain bike to turn a generator, the *takeCHARGE!* team helped produce enough electricity to power Green Radio which ran from Monday, April 12th to Sunday, April 18th.

Communications Awards

In June, Newfoundland Power was recognized with three Pinnacle Awards for Excellence in Marketing Communications from the International Association of Business Communicators. The *takeCHARGE!* partnership received an Award of Excellence for Traditional Advertising and an Award of Merit for the Energy Savers Marketing Communications. The Company also received a Pinnacle Award of Merit for our new print ad campaign, *The Power Of*.

3. System Performance

A. Reliability

System Reliability [1]	Year to Date			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan 2010
Customer Minutes of Outage [2]	55.8	17.6	16.6	36.6
SAIDI (Outage hours per customer)	4.01	1.25	1.21	2.62
SAIFI (Outages per customer)	1.14	0.94	0.98	2.15

[1] Excludes Hydro-related interruptions.
[2] In millions of minutes.

The frequency and duration of outages are higher in 2010 due to a severe ice storm on March 5th and 6th that caused extended power interruptions on the Avalon and Bonavista Peninsulas, and in the Bonavista North area.

The significant unplanned power interruptions during the 2nd quarter included:

- April 20th: A broken cutout caused an outage to 2,533 customers in the Paradise area and resulted in 329,290 customer minutes of outage.
- June 4th: A broken insulator caused an outage to 761 customers in and around Musgrave Harbour and resulted in 244,275 customer minutes of outage.
- June 21st: A vehicle accident resulted in an outage to 1,553 customers in the Village Mall area of St. John's and resulted in 408,272 customer minutes of outage.
- June 30th: A vehicle accident resulted in an outage to 1,835 customers in and around the town of Mobile and resulted in 464,255 customer minutes of outage.

B. Electricity Supply

Electricity Supply	2nd Quarter			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan 2010
Energy Purchased (GWh) [1]	1,160.5	1,148.4	1,101.5	5,238.8
Peak Demand (MW) [1, 2]	1,237.4	1,253.8	1,237.1	1,253.8
Hydro Plant Production (GWh)	139.7	127.1	112.0	428.8
Plant Availability (%)	96.7	96.0	97.3	96.0

[1] Weather adjusted.
[2] Peak demand for the 2009/2010 winter period occurred on February 3rd, 2010 at 7:45 a.m.

Energy purchased during the 2nd quarter was 12.1 GWh higher than plan due to higher than expected electricity sales.

During the 2nd quarter, hydro plant production was 12.6 GWh higher than plan and 27.7 GWh higher than 2009. The higher production in the 2nd quarter of 2010 reflects higher inflows compared to plan and the same period in 2009. Total water inflows for the 2nd quarter of 2010 were 150.8 GWh, compared to a normal inflow of 138.4 GWh.

Hydro plant availability was 96.7% in the 2nd quarter compared to a plan of 96.0%. There were 43 forced outages in the 2nd quarter compared to the 31 experienced in the 2nd quarter of 2009.

Hydro Industrial Rate Proceeding

The Company is currently participating in a proceeding before the Board to finalize Hydro's rates to its Industrial Customers. These rates have been interim since January 1st, 2008. Due to reductions in industrial load since 2007, a material credit has accumulated in the Industrial Rate Stabilization Plan. In the proceeding, Newfoundland Power is advocating that part of this credit should accrue to the benefit of its customers. The amount, if any, which might accrue to the benefit of Newfoundland Power's customers is dependent upon determinations of the Board.

4. Financial Matters

Financial Highlights	2nd Quarter			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan 2010
Electricity Sales (GWh)	1,220.2	1,210.0	1,177.2	5,349.9
Revenue ($millions)	126.2	125.2	118.1	547.0
Purchased Power Costs ($millions)	74.6	73.6	69.2	351.0
Operating Costs ($millions) [1]	12.9	13.1	12.2	53.4
Operating Cost per Customer ($)	117	118	111	229
Earnings ($millions) [2]	11.0	10.6	10.7	34.0

[1] Excluding pension and early retirement program costs.
[2] Earnings applicable to common shares.

Financial Results

Revenue and purchased power costs for the 2nd quarter of 2010 were higher than plan, primarily as a result of higher than expected sales. 2nd quarter electricity sales increased by 43.0 GWh, or approximately 3.7% over the 2nd quarter of 2009. This was primarily due to a combination of an increase in customer connections and an increase in the number of electrically heated homes.

Operating costs for the 2nd quarter were slightly lower than plan mainly due to timing of operating expenses. Annual operating expenses are trending slightly above plan. Operating costs for the second quarter were higher than last year due to wage and inflationary increases and increased conservation costs, partially offset by the timing of operating labour costs.

Earnings for the 2nd quarter were higher than plan primarily due to higher than anticipated electricity sales, timing of operating expenses and a lower effective tax rate.

Automatic Adjustment Formula

On April 20th, 2010 the Board approved changes to the Automatic Adjustment Formula used to set the Company's rate of return on equity in years between general rate applications. The Board order approved the use of a forecast long-term Government of Canada Bond yield in determining the cost of equity to be used in the formula for 2011 and 2012. The formula previously used a spot long-term Government of Canada bond yield to determine Newfoundland Power's cost of equity.

Other Post-Employment Benefits

Newfoundland Power has reviewed and revised its other post employment benefits ("OPEBs") plan. The most prominent changes to the plan are the introduction of a 50% member-paid cost sharing arrangement for retirees over the age of 65, the removal of the current $5,000 annual benefit cap, and the introduction of drug dispensing fees. These changes to the plan have reduced Newfoundland Power's forecast accrued OPEBs obligation by almost 20%, and have reduced forecast annual OPEBs costs by almost 30%.

On June 30th, 2010, the Company submitted a proposal to the Board related to the accounting for, and recovery of, OPEBs costs. The Company recommended that it: (i) adopt the accrual method of accounting for OPEBs costs effective January 1st, 2011; (ii) recover the transitional balance associated with this accounting change over a 15-year period; and (iii) adopt a deferral account to capture annual variances in OPEBs costs. The proposal is currently under review by the Board.

Joint Use Arrangements

On June 25th, 2010, the Company received notice from Bell Aliant of its intention not to renew its current arrangements for joint use of utility support structures with the Company. The current arrangements expire on December 31st, 2010.

In 2001, Newfoundland Power acquired approximately 70,000 joint use distribution poles from Bell Aliant for a book based value of approximately $40 million as part of these arrangements. Bell Aliant owned approximately 40% of all jointly used poles in Newfoundland Power's service territory at that time. Bell Aliant has rented space on these poles from Newfoundland Power since 2001. The decision not to renew these arrangements following the initial 10-year term requires Bell Aliant to repurchase 40% of all joint use poles from Newfoundland Power for a book based value.

The disposition of joint use poles to Bell Aliant will require Board approval. Upon purchase, Bell Aliant will also have the obligation to install and maintain 40% of the jointly used poles on an ongoing basis. The Company is currently negotiating the future operational and financial aspects associated with the joint use of utility support structures with Bell Aliant.

5. Capital Program

2010 Capital Expenditures	Year to Date			Annual
	Actual 2010	Plan [1] 2010	Actual 2009	Plan [1] 2010
Total ($000s)	33,721	37,437	29,939	69,451

[1] Plan includes $4.2 million in capital cost associated with the March 5th ice storm in Eastern Newfoundland approved by the Board in May 2010. Plan also includes $297,000 carryover for the Western Avalon Substation Vale Inco project and $275,000 for Water Street underground civil work.

2010 Capital Expenditure

Capital expenditures were lower in the 2nd quarter due to scheduling of equipment orders. The equipment will be delivered in 3rd quarter and will not materially impact construction timelines.

Distribution related capital was higher than plan, mainly due to customer growth and 3rd party work associated with telecommunications company infrastructure.

In addition to the customer driven work that continued through the winter, engineering and procurement activities are underway for large capital projects. Capital project activity during the 2nd quarter includes:

Distribution Construction Work

- The tender has been awarded for the rebuild of transmission lines 24L on the Southern Shore and 110L on the Bonavista Peninsula. Construction has started on 110L. Tender documents have been released for the rebuild of 41L, which was damaged during the March 2010 ice storm.
- The contracts for the Lookout Brook hydro plant governor and switchgear replacement are in place. Site work started on schedule on June 7th.
- Work is underway on the projects to replace the power transformers at Deer Lake and Mobile substations. Both transformers have been de-energized and portable substations have been installed to carry the customer load.
- Projects to replace the power transformer radiators at Gillams and Springfield substations are completed.

6. Safety

Safety Performance	Year to Date			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan 2010
Injury Frequency Rate [1]	2.0	1.8	0.7	1.8

[1] Injuries per 200,000 hours worked.

Safety Performance

There was one lost time injury in the 2nd quarter; there were no medical aid injuries. The lost time injury was due to an arc flash incident and resulted in a loss of nine calendar days. This is a decrease compared to the 2nd quarter of 2009 when there was one lost time and one medical aid injury recorded, resulting in thirty-five calendar days lost. There were three preventable vehicle accidents during the 2nd quarter as compared to one preventable vehicle accident for the 2nd quarter of 2009.

Arc Flash Incident

On May 17th, 2010, a Company Power Line Technician ("PLT") was injured in an arc flash incident that occurred in an electrical vault at the Delta Hotel in St. John's. The arc flash occurred while the PLT was using a voltage meter to perform a phasing check in a high voltage electrical cabinet within the vault. The flash was caused by the incorrect use of the voltage meter which was not rated for the high voltage involved (7,200 volts). The employee received 1st degree burns to his face.

Investigations by the Company and Government Services, Occupational Health & Safety Division ("OHSD") were immediately initiated. The Company's final investigation report and recommendations for prevention were submitted to OHSD on June 16th. On May 20th, 2010, the Company received a number of orders and directives from OHSD pertaining to the arc flash incident. They addressed the following:

- The use of test equipment was ordered stopped until it was confirmed that the equipment met CSA requirements, and it was confirmed that employees were trained in the use of the equipment and the training was documented. OHSD received the Company's response and no further action is required.
- Safe work procedures for the use of test equipment were directed to be developed and implemented. Existing procedures have been improved to include the documentation of training.

- The Company's existing electrical safety program elements was consolidated into a single high level document based on the CAN/ULC-S801-10 electrical standard. This was completed in July, as agreed with OHSD.
- Employees were directed to be trained in job safety planning and hazard assessment. This program already exists and is constantly reinforced.

Other OHSD Regulatory Activity

On May 10th, 2010, an inspection of one of the Company's pole installation contractors was undertaken by an OHSD officer in the Grand Bank area. Directives were issued in relation to developing and implementing traffic control standards and a contractor safety management program. The traffic control standard which already exists was reinforced with contractors; the contractor electrical safety program was rolled out at meetings in July. No further action is required.

On May 11th, 2010, an OHSD officer inspected Company crews setting up to begin work in the area of Thorburn Road in St. John's. Directives were issued in relation to traffic control and the placement of signage. The directives were complied with during the inspection. No further action is required.

Safety Communications and Training

On May 25th, a round table session was held with senior management and a select group of operations and engineering supervisors to discuss what the Company can do to improve safety performance. From this meeting, an action plan was developed that addressed improvements in the key areas of lead hand roles and responsibilities, training and competency, safety meeting effectiveness and contractor safety.

On June 8th, a meeting was held with the owners of Newfoundland Power's major contractors to discuss safety performance and our commitment to working together to improve safety performance. Additional resources have been added to monitor the quality and safety of contractor work and to deliver our electrical safety program.

On June 17th, a "time out for safety" meeting was held throughout the Company to reach out to employees on how to reduce safety incidents and present the safety action plan. Following from this, individual meetings with lead hands and line crew working forepersons were held to plan a safety workshop and training.

One-day Safety Leadership workshops have been held for all of the Company's operations supervisors in the 1st half of 2010. The purpose of the workshop was to review the supervisors' critical role in creating and maintaining a strong safety culture, including incident reporting and investigation, work observations, due diligence, safety coaching and progressive corrective action.

Public Safety

During the quarter, there were fourteen public safety incidents. This is a significant increase over the 1st quarter, when there were two incidents. Nine of these were low-voltage contacts involving trucks or excavators contacting service wires. Four were high-voltage contacts, which included two tree felling incidents, a dump truck cracking off a pole after contacting lines and a fencing contractor excavating a buried cable. One public incident involved a youth who sustained minor injuries after falling approximately four feet from a wooden bridge on a hydro plant access road.

Public safety education efforts were active during the 2nd quarter. Approximately 1,000 students representing 8 elementary schools throughout the province attended Company presentations on electrical safety. Twenty volunteer fire fighters attended one of the Company's Fire Fighting and Electricity seminars.

Public safety advertising continued throughout the 2nd quarter via various print media, TV and radio ads, and a new safety billboard near the Kenmount Road office building.

North American Occupational Safety and Health ("NAOSH") Week

NAOSH Week was celebrated throughout the Company from May 3rd to May 7th. Safety related activities were conducted, including work site inspections, work observations, safety training and safety meetings. The celebration also included health and wellness activities such as heart healthy breakfasts and snacks, lifestyle/wellness presentations and fitness walks.

Flag raising ceremony
NAOSH week

7. Environment

Environment Performance	Year to Date			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan 2010
Number of Spills	42	33	38 [2]	67
Reportable PCB Spills [1]	0	2	1	2
Volume of Oil Spills (Litres)	344	450	948 [3,4]	900

[1] Criteria for reporting of PCB spills have been revised as a result of the new PCB Regulations. PCB spills must be reported if any of the following conditions exist:
- All oil spills in water regardless of PCB concentration or volume.
- All PCB spills that exceed the one gram rule.
- All oil spills of equipment in storage / inventory (not in use) that exceed a concentration of 2 ppm PCBs regardless of quantity.

[2] There is one additional spill added to the 2009 Actual as a result of a Q3 2009 reporting of a spill that occurred in Q2 2009. The 2009 Q2 Report noted a total of 37 spills up to the end of June 2009

[3] Of the 38 recorded spills ending in the 2nd quarter of 2009, one spill contributed to a release of 519 litres.

[4] There is an additional three litres volume as the result of the late reporting identified in footnote 2.

The number of spills to date is higher than over the same period in 2009 as a result of the March 2010 ice storm which damaged a number of distribution transformers on the Bonavista and Avalon Peninsulas, causing 6 spills. The volume of spills is significantly lower than last year and on track with the 2010 plan.

PCB Regulations

The Canadian Electricity Association ("CEA"), on behalf of all CEA utility members, continues to seek an amendment to the current *PCB Regulations* which would allow the continued use of certain oil-filled equipment containing PCBs until 2025. The earliest anticipated adoption of this amendment would be July 2012.

2009 Sustainable Electricity Report

In mid-April, the Company submitted its Sustainable Electricity Report ("SEP") to the CEA. The SEP report is an annual requirement of all CEA members which allows an assessment of progress towards the vision and goals of sustainable electricity. The program enables the electricity industry to take a holistic approach to sustainability by addressing the three main components – environment, society and economics. The CEA's consolidated 2009 SEP was released in June.

Training

In the 2nd quarter, environmental training was provided to 21 Company employees and 67 contractor employees (those doing work on behalf of the Company) bringing the total year to date to 39 and 145 Company and contractor participants, respectively. This training reinforced the importance for our employees and contractors to perform their duties in an environmentally responsible manner.

In early April, a web-based Environment and Health & Safety Awareness Training program was launched. The program offers additional flexibility for employees to complete training as required by the Company's Environment and Health and Safety Management Systems to fulfill the requirements of ISO 14001 and OHSAS 18001.

8. Community

The Power of Life Project

Newfoundland Power employees answered phones during the 14th Annual Garden of Hope Radio-thon on April 21st. The Company presented a $10,000 donation from the employee *Power of Pennies* initiative toward the purchase of a mural for Newfoundland Power's Radiation Suite at the Dr. H. Bliss Murphy Cancer Centre in St. John's, as well as a $7,000 donation toward furnishing the waiting room in the Corner Brook Cancer Centre.

Garden of Hope Radio-thon Cheque Presentation

Stephenville employees held their second annual golf tournament on June 19th. This event raised approximately $3,500 for the *Power of Life* project with support from 37 community partners and 21 participating teams.

Newfoundland Power employees held their 3rd Annual *Power of Life* Softball Tournament on June 4th and 5th. Eight teams participated this year, raising over $2,000.

EnviroFest 2010

Newfoundland Power partnered with the provincial government for the 13th annual *EnviroFest* celebrations. This year, the Company completed community clean-ups, worked with environmental groups to plant trees and shrubs, and encouraged energy conservation through the *takeCHARGE!* partnership. Legacy tree planting and beautification projects were held at: Topsail Elementary, Conception Bay South; Amalgamated Academy, Bay Roberts; and the Corner Brook Stream Trail Network.

Burin EnviroFest Celebrations

Fish Friends

Students participation in Fish Friends Program

From June 15th to 17th, hundreds of elementary school students released Atlantic salmon fry into Newfoundland's streams. The salmon fry had been raised by the students in classroom incubators for the past three months as part of the Atlantic Salmon Federation's *Fish Friends* program. 2010 marks the Company's 13th year as a corporate sponsor of the program, having contributed countless volunteer hours and over $75,000 to date.

Annual Fire Fighters Convention

At the Annual Convention of the Newfoundland and Labrador Association of Fire Services, held on June 29th in Corner Brook, the Company donated $10,000 to continue with the *Learn Not to Burn Program* for school children across the province.

Business of the Year Award

On July 1st, the Town of Bonavista honoured Newfoundland Power with its 2010 Business of the Year award. One of the Company's contractors, Green's Construction, was also recognized. The awards were presented in thanks and recognition for the power restoration effort following the March 2010 ice storm.

FINANCIAL STATEMENTS

NEWFOUNDLAND POWER INC.
BALANCE SHEETS
As At June 30
($000s)

	2010	2009 [1]
Capital Assets		
Property plant and equipment	1,262,940	1,201,493
Less: accumulated amortization	460,390	431,564
	802,550	769,929
Current Assets		
Cash	-	2,572
Accounts receivable	60,729	59,095
Income tax receivable	2,696	1,605
Materials and supplies	1,069	1,019
Prepaid expenses	803	711
Regulatory assets	7,906	10,360
	73,203	75,362
Accrued Pension	98,552	96,480
Regulatory Assets	200,838	196,732
Intangible Assets, net of amortization	15,662	15,641
Other Assets	1,620	1,714
Total Assets	**1,192,425**	**1,155,858**
Shareholders' Equity		
Common shares	70,321	70,321
Retained earnings	321,192	307,753
Common shareholder's equity	391,513	378,074
Preference shares	9,111	9,113
	400,624	387,187
Current Liabilities		
Bank indebtedness	549	-
Short-term borrowings	675	-
Accounts payable and accrued charges	41,702	40,838
Current instalments of long-term debt	5,200	5,200
Future income taxes	653	129
Regulatory liabilities	4,556	9,956
	53,335	56,123
Future Income Taxes	122,786	120,565
Long-term Debt	486,646	471,166
Other Liabilities	53,565	47,543
Regulatory Liabilities	75,469	73,274
Total Shareholders' Equity and Liabilities	**1,192,425**	**1,155,858**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS
For The Periods Ended June 30
($000s)

	SECOND QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2010	Plan 2010	Actual 2009	Actual 2010	Plan 2010	Actual 2009	Plan 2010	Actual 2009
Revenue	126,199	125,242	118,118	304,473	300,709	287,801	547,048	527,179
Purchased Power	74,616	73,556	69,213	205,804	202,743	196,543	351,034	345,656
Contribution	51,583	51,686	48,905	98,669	97,966	91,258	196,014	181,523
Operating Expenses	12,922	13,113	12,150	26,839	27,386	25,232	53,402	49,315
Pension and Early Retirement Program Costs	1,884	2,031	699	3,731	4,062	1,323	8,196	2,673
Amortization	10,779	10,695	10,318	21,175	21,115	20,369	43,452	41,825
Amortization True-Up Deferral	966	965	966	1,931	1,930	1,932	3,860	3,862
Finance Charges	8,977	9,080	8,542	17,969	18,125	16,748	36,091	34,555
Earnings Before Income Taxes	16,055	15,802	16,230	27,024	25,348	25,654	51,013	49,293
Income Taxes	4,933	5,107	5,330	8,567	8,183	8,440	16,487	16,092
Net Earnings	11,122	10,695	10,900	18,457	17,165	17,214	34,526	33,201
Dividends on Preference Shares	142	142	143	284	283	290	564	573
Earnings Applicable to Common Shares	**10,980**	**10,553**	**10,757**	**18,173**	**16,882**	**16,924**	**33,962**	**32,628**

NEWFOUNDLAND POWER INC.
STATEMENTS OF RETAINED EARNINGS
For The Periods Ended June 30
($000s)

	2010	2009
Balance, Beginning of the Period	310,864	303,417
Net Earnings	18,457	17,214
Dividends		
Preference Shares	(284)	(290)
Common Shares	(7,845)	(12,588)
Balance, End of the Period	**321,192**	**307,753**

NEWFOUNDLAND POWER INC.
STATEMENTS OF CASHFLOWS
For The Periods Ended June 30
($000s)

	2010	2009 [1]
Operating Activities		
Net earnings	18,457	17,214
Items not affecting cash:		
Amortization of property, plant and equipment	19,756	18,923
Amortization of intangibles and other	1,534	1,569
Change in regulatory assets amd liabilities	4,229	815
Future income taxes	(317)	984
Employee future benefits	(734)	(3,135)
Change in non-cash working capital	(18,265)	(28,960)
	24,660	7,410
Investing Activities		
Capital expenditures (net of salvage)	(35,613)	(30,850)
Intangible expenditures	(968)	(942)
Contributions from customers and other	1,018	1,330
	(35,563)	(30,462)
Financing Activities		
Change in short-term borrowings	675	-
Net proceeds from (repayment of) committed credit facility	12,500	(26,500)
Proceeds from long-term debt	-	65,000
Payment of debt financing costs	-	(378)
Redemption of preference shares	-	(239)
Dividends		
Preference shares	(284)	(290)
Common shares	(7,845)	(12,588)
	5,046	25,005
Decrease (Increase) in Cash	(5,857)	1,953
Cash, Beginning of the Period	5,308	619
(Bank Indebtedness) Cash, End of the Period	**(549)**	**2,572**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

APPENDICES

NEWFOUNDLAND POWER INC.
ELECTRICITY STATISTICS
For The Periods Ended June 30

	SECOND QUARTER		YEAR TO DATE		ANNUAL
	2010	2009	2010	2009	2009
Sales (GWh)					
Actual	1,209.2	1,125.3	2,893.7	2,861.0	5,227.5
Weather adjusted	1,220.2	1,177.2	3,015.4	2,940.1	5,299.0
Plan[1]	1,210.0		2,980.6		
Produced & Purchased (GWh)					
Actual	1,275.9	1,188.0	3,071.1	3,037.1	5,538.2
Weather adjusted	1,287.6	1,242.8	3,199.8	3,120.8	5,613.8
Plan[1]	1,277.7		3,163.7		
Hydro Production (GWh)					
Actual	139.7	112.0	262.6	232.8	426.7

[1] Based on Customer, Energy and Demand Forecast dated December 11, 2009.

NEWFOUNDLAND POWER INC.
STATEMENTS OF ELECTRICITY SOLD (GWh)
For The Periods Ended June 30

WEATHER ADJUSTED

	SECOND QUARTER			YEAR TO DATE			ANNUAL	
BY SALES CATEGORY	**Actual 2010**	**Plan[1] 2010**	**Actual 2009**	**Actual 2010**	**Plan[1] 2010**	**Actual 2009**	**Plan[1] 2010**	**Actual 2009**
Residential	727.9	708.9	691.5	1,898.1	1,856.4	1,830.7	3,234.9	3,203.3
Commercial								
0-10 kW	21.5	20.9	20.1	50.3	49.1	48.3	89.7	89.8
10-100 kW	149.3	150.8	146.2	355.1	356.8	349.6	653.0	640.9
110-1000 kVA	212.3	210.4	202.9	483.9	479.6	471.7	898.7	890.5
1000 kVA and Over	102.4	112.0	109.6	210.9	221.7	222.7	437.6	438.0
Total Commercial	485.5	494.1	478.8	1,100.2	1,107.2	1,092.3	2,079.0	2,059.2
Street Lighting	6.8	7.0	6.9	17.1	17.0	17.1	36.0	36.5
Total Sales	**1,220.2**	**1,210.0**	**1,177.2**	**3,015.4**	**2,980.6**	**2,940.1**	**5,349.9**	**5,299.0**
BY REGION								
Eastern [2]	862.8	851.7	827.0	2,130.3	2,097.3	2,065.6	3,761.1	3,719.3
Western [3]	357.4	358.3	350.2	885.1	883.3	874.5	1,588.8	1,579.7
Total Sales	**1,220.2**	**1,210.0**	**1,177.2**	**3,015.4**	**2,980.6**	**2,940.1**	**5,349.9**	**5,299.0**

[1] Based on Customer, Energy and Demand Forecast dated December 11, 2009.

[2] Eastern Region includes the St. John's, Avalon, Burin and Clarenville operating areas.

[3] Western Region includes the Gander, Grand Falls - Windsor, Corner Brook and Stephenville operating areas.

NEWFOUNDLAND POWER INC.
STATEMENTS OF REVENUE
For The Periods Ended June 30
($000s)

WEATHER ADJUSTED

BY SALES CATEGORY	SECOND QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2010	Plan [1] 2010	Actual 2009	Actual 2010	Plan [1] 2010	Actual 2009	Plan [1] 2010	Actual 2009
Residential	74,160	72,459	67,990	187,874	184,144	173,939	325,881	309,360
Commercial								
0-10 kW	2,902	2,844	2,715	6,590	6,471	6,261	12,029	11,840
10-100 kW	15,104	15,323	14,600	35,319	35,532	34,017	65,650	63,318
110-1000 kVA	18,008	17,826	16,827	41,176	40,617	39,022	76,551	74,182
1000 kVA and Over	7,317	8,109	7,773	15,517	16,425	16,056	32,480	31,675
Total Commercial	43,331	44,102	41,915	98,602	99,045	95,356	186,710	181,015
Street Lighting	3,327	3,346	3,181	6,698	6,695	6,399	13,408	12,862
Forfeited Discounts	593	733	641	1,459	1,695	1,622	2,783	2,644
Revenue From Rates	**121,411**	**120,640**	**113,727**	**294,633**	**291,579**	**277,316**	**528,782**	**505,881**
Energy Supply Cost Variance [2]	394	-	(542)	1,228	-	1,117	-	2,878
Amortizations [3]								
2010 Pension Expense Variance Deferral	(160)	-	-	(320)	-	-	-	-
2005 Unbilled Remaining Balance	1,155	1,155	1,155	2,310	2,310	2,310	4,618	4,618
Total Reported Revenue	**122,800**	**121,795**	**114,340**	**297,851**	**293,889**	**280,743**	**533,400**	**513,377**
Other Revenue	3,399	3,447	3,778	6,622	6,820	7,058	13,648	13,802
Total Operating Revenue	**126,199**	**125,242**	**118,118**	**304,473**	**300,709**	**287,801**	**547,048**	**527,179**

(1) Based on 2010 Test Year sales forecast dated December 11, 2009 and rates effective January 1, 2010 as approved by Order No. P.U. 46(2009).
(2) Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).
(3) Revenue amortizations as approved in Order No. P.U. 43(2009) & Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
SUMMARY OF WEATHER ADJUSTMENTS
For The Periods Ended June 30
($000s)

	SECOND QUARTER			YEAR TO DATE			ANNUAL	
REVENUE FROM ELECTRICITY SALES	**Actual 2010**	**Plan [1] 2010**	**Actual 2009**	**Actual 2010**	**Plan [1] 2010**	**Actual 2009**	**Plan [1] 2010**	**Actual 2009**
Actual	120,497	120,640	109,540	284,405	291,579	270,949	528,782	500,123
Degree Day & Wind Adjustment	914	-	4,187	10,228		6,367	-	5,758
Weather Adjusted	**121,411**	**120,640**	**113,727**	**294,633**	**291,579**	**277,316**	**528,782**	**505,881**
Energy Supply Cost Variance [2]	394	-	(542)	1,228	-	1,117	-	2,878
Amortizations [3]								
2010 Pension Expense Variance Deferral	(160)	-	-	(320)	-	-	-	-
2005 Unbilled Remaining Balance	1,155	1,155	1,155	2,310	2,310	2,310	4,618	4,618
Total Reported Revenue	**122,800**	**121,795**	**114,340**	**297,851**	**293,889**	**280,743**	**533,400**	**513,377**
PURCHASED POWER EXPENSE								
Actual	71,786	73,055	66,465	190,666	201,741	190,375	349,023	336,954
Degree Day & Wind Adjustment	1,026	-	4,824	11,329		7,364	-	6,663
Hydro Equalization Adjustment	1,106	-	(2,580)	2,610		(2,198)	-	29
Purchased Power Weather Adjusted	**73,918**	**73,055**	**68,709**	**204,605**	**201,741**	**195,541**	**349,023**	**343,646**
Demand Management Incentive Account [4]	197	-	-	197	-	-	-	-
Amortizations [5]								
Rattling Brook Deferral	150	150	150	300	300	300	598	598
PPUCVR Balance at Dec 31, 2006	(174)	(174)	(174)	(348)	(348)	(348)	(688)	(688)
Weather Normalization Reserve	525	525	528	1,050	1,050	1,050	2,101	2,100
Total Purchased Power Expense	**74,616**	**73,556**	**69,213**	**205,804**	**202,743**	**196,543**	**351,034**	**345,656**

(1) Based on 2010 Test Year sales forecast dated December 11, 2009 and rates effective January 1, 2010 as approved by Order No. P.U. 46(2009).
(2) Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).
(3) Revenue amortizations as approved in Order No. P.U. 43(2009) & Order No. P.U. 32(2007).
(4) Demand Management Incentive Account as approved in Order No. P.U. 32(2007).
(5) Amortizations for 2009 & 2010 as appproved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS - DETAIL
For The Periods Ended June 30
($000s)

	SECOND QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2010	Plan 2010	Actual 2009	Actual 2010	Plan 2010	Actual 2009	Plan 2010	Actual 2009
Other Revenue								
Joint Use Revenue								
Aliant	1,804	1,848	1,864	3,609	3,654	3,609	7,392	7,219
CATV	506	498	499	1,013	996	1,001	1,993	2,000
Total Joint Use Revenue	2,310	2,346	2,363	4,622	4,650	4,610	9,385	9,219
Miscellaneous								
Customer Jobbing	154	129	175	236	233	273	445	663
Rental Income	4	7	10	4	13	10	25	17
Municipal Tax Liability [1]	341	340	342	682	681	684	1,362	1,364
Interest - Customer Accounts	224	314	244	454	625	510	1,222	818
Interest - RSA	14	(11)	12	40	(22)	62	(44)	-
Interest - CIAC	25	32	26	51	64	53	125	107
Interest - Other	25	32	31	52	64	64	125	243
Reconnections	50	22	22	58	44	28	86	85
NSF Cheque Charges	9	10	8	18	20	18	40	34
Wheeling Charges	143	137	135	303	272	295	532	566
Miscellaneous	38	20	351	(12)	38	344	75	434
Service Connection Fees	62	69	59	114	138	107	270	252
Total Miscellaneous	1,089	1,101	1,415	2,000	2,170	2,448	4,263	4,583
Total Other Revenue	**3,399**	**3,447**	**3,778**	**6,622**	**6,820**	**7,058**	**13,648**	**13,802**
Finance Charges								
Interest on Long-term Debt	8,987	8,987	8,456	17,975	17,975	16,471	35,849	34,547
Interest on Long-term Committed Credit Facility	78	117	140	129	205	332	390	396
Interest on Short-term Uncommitted Demand Facility	9	-	6	9	-	7	-	7
Amortization of Deferred Debt Issue Costs	47	46	55	95	92	104	185	235
Amortization of Capital Stock Issue Expenses	10	10	10	19	19	19	38	38
Interest on Security Deposits	1	-	1	2	-	6	-	8
Interest Charged to Construction	(155)	(80)	(126)	(260)	(166)	(191)	(371)	(676)
Total Finance Charges	**8,977**	**9,080**	**8,542**	**17,969**	**18,125**	**16,748**	**36,091**	**34,555**

[1] Amortization of the Municipal Tax Liability as approved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
CUSTOMER AND EMPLOYEE STATISTICS
As At June 30

	SECOND QUARTER		ANNUAL	
	Actual 2010	**Actual 2009**	**Plan 2010**	**Actual 2009**
Customers	241,177	237,261	241,634	239,307
Employees [1]				
Regular	573	571	579	572
Temporary	59	70	72	72
Total	632	641	651	644

[1] Refers to full time equivalents.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY AREA
For The Periods Ended June 30

	SAIFI					SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR	QUARTER		12 MONTH TO DATE		5 YEAR
	2010	2009	2010	2009	TO DATE	2010	2009	2010	2009	TO DATE
AREA	#	#	#	#	# / YEAR	HOURS	HOURS	HOURS	HOURS	HRS. / YEAR
St. John's	0.29	0.13	1.94	2.25	2.15	0.33	0.24	1.79	2.12	2.10
Avalon	0.45	0.19	2.32	1.82	2.19	0.39	0.21	7.87	1.91	3.97
Burin	0.16	0.97	3.08	4.36	4.10	0.34	0.54	3.53	4.20	4.08
Bonavista	0.86	0.29	6.08	4.70	5.51	1.56	0.54	33.93	5.09	18.29
Gander	0.54	1.12	3.37	4.23	3.73	0.08	1.00	5.07	4.65	4.95
Grand Falls	0.07	0.93	1.77	3.78	2.70	0.20	1.10	3.36	4.07	3.36
Corner Brook	0.27	0.19	2.59	1.88	2.56	0.35	0.27	2.29	2.60	2.46
Stephenville	0.55	0.37	2.65	4.82	3.64	0.70	0.25	3.38	2.96	3.39
Company Totals	**0.36**	**0.36**	**2.53**	**2.89**	**2.79**	**0.48**	**0.41**	**5.46**	**2.87**	**4.01**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended June 30

ORIGIN	SAIFI				
	QUARTER		12 MONTH TO DATE		5 YEAR TO DATE # / YEAR
	2010 #	2009 #	2010 #	2009 #	
Loss of Supply (NF Hydro)	0.02	0.01	0.37	0.43	0.49
Transmission	0.13	0.14	0.86	0.82	0.80
Distribution	0.21	0.21	1.30	1.64	1.50
Company Totals	**0.36**	**0.36**	**2.53**	**2.89**	**2.79**

System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended June 30

ORIGIN	SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR TO DATE HRS. / YEAR
	2010 HOURS	2009 HOURS	2010 HOURS	2009 HOURS	
Loss of Supply (NF Hydro)	0.04	0.00	0.12	0.11	0.20
Transmission	0.10	0.08	2.11	0.68	0.96
Distribution	0.34	0.33	3.23	2.08	2.85
Company Totals	**0.48**	**0.41**	**5.46**	**2.87**	**4.01**

System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BREAKDOWN REPORT
Second Quarter 2010

	SCHEDULED		UNSCHEDULED		TOTAL	
AREA	**SAIFI #**	**SAIDI HOURS**	**SAIFI #**	**SAIDI HOURS**	**SAIFI #**	**SAIDI HOURS**
St. John's	0.02	0.03	0.27	0.31	0.29	0.34
Avalon	0.38	0.25	0.07	0.14	0.45	0.39
Burin	0.07	0.18	0.09	0.17	0.16	0.35
Bonavista	0.55	1.12	0.31	0.44	0.86	1.56
Gander	0.39	0.41	0.14	0.39	0.53	0.80
Grand Falls	0.01	0.01	0.06	0.19	0.07	0.20
Corner Brook	0.07	0.11	0.20	0.24	0.27	0.35
Stephenville	0.32	0.41	0.23	0.29	0.55	0.70
Company Totals	**0.16**	**0.20**	**0.20**	**0.28**	**0.36**	**0.48**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.

CAPITAL EXPENDITURE PROGRESS REPORT

For the Period Ended June 30, 2010

Introduction

The Capital Expenditure Progress Report summarizes the capital expenditures of the various capital accounts of the Company and lists any new lease obligations in excess of $5,000 per year.

The report contains three sections:

1. The Budget section outlines the annual capital expenditure budget approved by the Public Utilities Board for the current year.

2. The Expenditure section outlines actual capital expenditures for the current quarter and year to date, and indicates the balance of the annual capital budget remaining to be expended (difference between annual budget and year to date actual).

3. The Leasing Arrangement section includes a brief description of the item being leased, the leasing period, and the annual and quarterly leasing costs.

NEWFOUNDLAND POWER INC.
CAPITAL EXPENDITURE PROGRESS REPORT
For the Period Ended June 30, 2010
($000s)

	BUDGET	EXPENDITURE [1]		
	Approved by Order No. P.U. 41(2009) and P.U. 17(2010)	Second Quarter	Year To Date	Unexpended Balance
Generation Hydro	5,279	863	1,259	4,020
Generation Thermal	150	27	30	120
Substations	10,218	1,760	3,125	7,093
Transmission	5,915	240	464	5,451
Distribution	31,965	10,318	18,814	13,151
General Property	1,381	230	352	1,029
Transportation	2,352	1,178	2,039	313
Telecommunications	379	36	69	310
Information Systems	3,490	812	1,820	1,670
Unforeseen Items [2]	4,950	1,574	3,370	1,580
General Expenses Capital	2,800	899	1,919	881
TOTAL	68,879	17,937	33,261	35,618

Leasing Arrangements Entered Into			
Brief Description	**Period**	**Annual Cost**	**Quarterly Payments**
	There were no lease obligations entered into during the second quarter of 2010 that exceed $5,000 annually.		

[1] Excludes capital expenditures of approximately $460,000 related to prior years capital projects carried forward into 2010.

[2] Unforeseen Items includes capital expenditures of $4.2 million related to the March 2010 ice storm. These capital expenditures were approved in Order P.U. 17(2010).

NEWFOUNDLAND POWER INC.

INTER-COMPANY TRANSACTIONS REPORT

For the Period Ended June 30, 2010

Introduction

The Inter-Company Transactions Report summarizes transactions between the Company and related corporations on a quarterly and year-to-date basis. The report itemizes the charges by type and distinguishes between regulated and non-regulated charges. The report also documents any contracts, agreements or loans between Newfoundland Power and any related corporation that were signed in the current quarter.

The report is divided into four sections as follows:

1. The first section aggregates charges from all related corporations and presents a summary, by charge type, for the current quarter and year-to-date with comparable data for the same period last year, as well as annual charges for the previous year.

2. The second section breaks down the charges ***from*** each individual associated corporation and presents an itemized quarterly summary for the current year and year-to-date with comparable data for the same period last year, as well as annual charges for the previous year.

3. The third section breaks down the charges ***to*** each individual associated corporation and presents an itemized quarterly summary for the current year and year-to-date with comparable data for the same period last year, as well as annual charges for the previous year.

4. The fourth section lists any contracts or agreements that were signed between the Company and any related corporation as well as any loans with related corporations. Loan information provided includes the amount of the loan, the date of borrowing and date of repayment, the interest rate, and total interest paid.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Summary of Charges
For The Period Ended June 30, 2010

Charges from Associated Companies

Regulated Charges	Second Quarter 2010	Second Quarter 2009	Year To Date 2010	Year To Date 2009	Annual 2009
Trustee & Share Plan Costs	$ 12,000	$ 10,000	$ 24,000	$ 20,000	$ 42,000
Hotel/Banquet Facilities	4,358	4,245	11,668	8,625	25,627
Staff Charges	46,199	-	46,199	12,000	12,000
Joint-use Pole Purchases	2,757	1,027	3,930	2,364	2,532
Miscellaneous	13,704	17,451	29,008	44,195	65,982
Sub-total	$ 79,018	$ 32,723	$ 114,805	$ 87,184	$ 148,141

Non-Regulated Charges	Second Quarter 2010	Second Quarter 2009	Year To Date 2010	Year To Date 2009	Annual 2009
Directors' Fees & Travel	$ 57,000	$ 43,000	$ 114,000	$ 86,000	$ 226,000
Annual & Quarterly Reports	30,000	28,000	60,000	56,000	91,000
Hotel/Banquet Facilities	2,416	-	2,416	-	-
Staff Charges	65,000	50,000	130,000	100,000	71,000
Miscellaneous	488,877	460,521	573,877	521,521	695,521
Sub-total	$ 643,293	$ 581,521	$ 880,293	$ 763,521	$ 1,083,521
TOTAL	$ 722,311	$ 614,244	$ 995,098	$ 850,705	$ 1,231,662

Charges to Associated Companies

	Second Quarter 2010	Second Quarter 2009	Year To Date 2010	Year To Date 2009	Annual 2009
Printing & Stationery	$ 73	$ 265	$ 171	$ 502	$ 843
Postage	5,233	5,643	11,640	11,357	20,689
Staff Charges	207,553	108,350	411,112	252,730	531,450
Staff Charges - Insurance	75,893	74,857	140,383	143,668	244,753
IS Charges	-	-	-	-	22,022
Pole Installations	13,828	4,591	17,803	7,896	23,599
Miscellaneous	1,167	10,887	10,520	14,372	41,697
TOTAL	$ 303,747	$ 204,593	$ 591,629	$ 430,525	$ 885,053

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended June 30, 2010

	Second Quarter 2010			Second Quarter 2009		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.						
Directors' Fees & Travel	$ -	$ 57,000	$ 57,000	$ -	$ 43,000	$ 43,000
Annual & Quarterly Reports	-	30,000	30,000	-	28,000	28,000
Trustee & Share Plan Costs	12,000	-	12,000	10,000	-	10,000
Staff Charges	-	65,000	65,000	-	50,000	50,000
Joint-use Pole Purchases	2,757	-	2,757	1,027	-	1,027
Miscellaneous	2,396	488,877	491,273	6,567	460,521	467,088
Total	$ 17,153	$ 640,877	$ 658,030	$ 17,594	$ 581,521	$ 599,115
Fortis Properties Corporation						
Hotel/Banquet Facilities	$ 4,358	$ 2,416	$ 6,774	$ 4,245	$ -	$ 4,245
Miscellaneous	8,492	-	8,492	3,178	-	3,178
Total	$ 12,850	$ 2,416	$ 15,266	$ 7,423	$ -	$ 7,423
Maritime Electric Co. Ltd.						
Staff Charges	$ 46,199	$ -	$ 46,199	$ -	$ -	$ -
Miscellaneous	-	-	-	2,570	-	2,570
Total	$ 46,199	$ -	$ 46,199	$ 2,570	$ -	$ 2,570
FortisBC Inc.						
Miscellaneous	$ 2,816	$ -	$ 2,816	$ 5,136	$ -	$ 5,136
Total	$ 2,816	$ -	$ 2,816	$ 5,136	$ -	$ 5,136

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended June 30, 2010

	Year To Date 2010			Year To Date 2009			Annual 2009		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.									
Directors' Fees and Travel	$ -	$ 114,000	$ 114,000	$ -	$ 86,000	$ 86,000	$ -	$ 226,000	$ 226,000
Annual & Quarterly Reports	-	60,000	60,000	-	56,000	56,000	-	91,000	91,000
Trustee & Share Plan Costs	24,000	-	24,000	20,000	-	20,000	42,000	-	42,000
Staff Charges	-	130,000	130,000	-	100,000	100,000	-	71,000	71,000
Joint-use Pole Purchases	3,930	-	3,930	2,364	-	2,364	2,532	-	2,532
Miscellaneous	7,864	573,877	581,741	28,540	521,521	550,061	35,862	695,521	731,383
Total	$ 35,794	$ 877,877	$ 913,671	$ 50,904	$ 763,521	$ 814,425	$ 80,394	$ 1,083,521	$ 1,163,915
Fortis Properties Corporation									
Staff Charges	$ -	$ -	$ -	$ 12,000	$ -	$ 12,000	$ 12,000	$ -	$ 12,000
Hotel/Banquet Facilities	11,668	2,416	14,084	8,625	-	8,625	25,627	-	25,627
Miscellaneous	11,814	-	11,814	3,178	-	3,178	4,681	-	4,681
Total	$ 23,482	$ 2,416	$ 25,898	$ 23,803	$ -	$ 23,803	$ 42,308	$ -	$ 42,308
Maritime Electric Co. Ltd.									
Staff Charges	$ 46,199	$ -	$ 46,199	$ -	$ -	$ -	$ -	$ -	$ -
Miscellaneous	2,914	-	2,914	5,206	-	5,206	8,977	-	8,977
Total	$ 49,113	$ -	$ 49,113	$ 5,206	$ -	$ 5,206	$ 8,977	$ -	$ 8,977
FortisBC Inc.									
Miscellaneous	$ 6,416	$ -	$ 6,416	$ 7,271	$ -	$ 7,271	$ 16,462	$ -	$ 16,462
Total	$ 6,416	$ -	$ 6,416	$ 7,271	$ -	$ 7,271	$ 16,462	$ -	$ 16,462

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended June 30, 2010

	Second Quarter 2010	Second Quarter 2009	Year To Date 2010	Year To Date 2009	Annual 2009
Fortis Inc.					
Printing & Stationery	$ -	$ 60	$ -	$ 60	$ 129
Postage	5,233	5,643	11,640	11,357	20,689
Staff Charges	192,391	66,299	364,176	140,342	327,534
Staff Charges - Insurance	69,725	67,669	114,256	123,054	173,887
IS Charges	-	-	-	-	277
Pole Installations	13,828	4,591	17,803	7,896	23,599
Miscellaneous	1,167	3,410	1,525	3,847	11,969
Total	$ 282,344	$ 147,672	$ 509,400	$ 286,556	$ 558,084
Fortis Properties Corporation					
Printing & Stationery	$ 73	$ 205	$ 171	$ 442	$ 714
Staff Charges	1,247	-	1,247	-	-
Staff Charges - Insurance	3,893	3,312	12,356	10,065	13,517
IS Charges	-	-	-	-	4,432
Miscellaneous	-	1,250	8,955	1,851	4,691
Total	$ 5,213	$ 4,767	$ 22,729	$ 12,358	$ 23,354
Maritime Electric Co. Ltd.					
Staff Charges	$ 913	$ 794	$ 1,743	$ 1,141	$ 1,932
Staff Charges - Insurance	270	182	838	619	1,488
IS Charges	-	-	-	-	2,424
Miscellaneous	-	-	-	101	701
Total	$ 1,183	$ 976	$ 2,581	$ 1,861	$ 6,545
FortisOntario Inc.					
Staff Charges - Insurance	$ 27	$ 3,046	$ 3,611	$ 3,180	$ 17,688
IS Charges	-	-	-	-	2,424
Miscellaneous	-	-	-	3	273
Total	$ 27	$ 3,046	$ 3,611	$ 3,183	$ 20,385
Belize Electric Company Limited					
Staff Charges	$ 8,836	$ 15,208	$ 16,659	$ 37,278	$ 86,581
Staff Charges - Insurance	-	216	-	1,026	8,743
Total	$ 8,836	$ 15,424	$ 16,659	$ 38,304	$ 95,324

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended June 30, 2010

	Second Quarter 2010	Second Quarter 2009	Year To Date 2010	Year To Date 2009	Annual 2009
Belize Electricity Limited					
Staff Charges	$ 1,750	$ -	$ 1,940	$ 889	$ 11,424
Staff Charges - Insurance	594	-	1,890	2,376	8,436
IS Charges	-	-	-	-	4,155
Miscellaneous	-	1,405	40	1,606	4,863
Total	$ 2,344	$ 1,405	$ 3,870	$ 4,871	$ 28,878
FortisAlberta Inc.					
Staff Charges - Insurance	$ 378	$ -	$ 378	$ 432	$ 3,456
Miscellaneous	-	-	-	551	3,441
Total	$ 378	$ -	$ 378	$ 983	$ 6,897
FortisBC Inc.					
Staff Charges - Insurance	$ 844	$ -	$ 844	$ 216	$ 1,620
IS Charges	-	-	-	-	8,310
Miscellaneous	-	-	-	225	2,203
Total	$ 844	$ -	$ 844	$ 441	$ 12,133
Terasen Gas Inc.					
Staff Charges - Insurance	$ -	$ -	$ 378	$ -	$ 1,296
Miscellaneous	-	-	-	420	6,425
Total	$ -	$ -	$ 378	$ 420	$ 7,721
Caribbean Utilities Co. Limited					
Staff Charges	$ -	$ 888	$ -	$ 888	$ 888
Staff Charges - Insurance	-	162	2,268	270	6,837
Miscellaneous	-	-	-	101	101
Total	$ -	$ 1,050	$ 2,268	$ 1,259	$ 7,826
Fortis Turks and Caicos					
Staff Charges	$ 2,416	$ 25,161	$ 25,347	$ 72,192	$ 103,091
Staff Charges - Insurance	162	270	3,564	2,430	7,785
Miscellaneous	-	4,822	-	5,667	7,030
Total	$ 2,578	$ 30,253	$ 28,911	$ 80,289	$ 117,906

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Agreements With Associated Companies
For the Period Ended June 30, 2010

No loans or agreements with related companies were entered into during the quarter ending June 30, 2010.

NEWFOUNDLAND POWER INC.

CUSTOMER PROPERTY DAMAGE CLAIMS REPORT

For the Quarter Ending June 30, 2010

Introduction

The Customer Property Damage Claims Report contains an overview of all damage claims activity summarized on a quarterly basis. The information contained in the report is broken down by cause as well as by the operating region where the claims originated.

The report is divided into four sections as follows:

1. The first section indicates the number of claims received during the quarter coupled with claims outstanding from the previous quarter.

2. The second section shows the number of claims for which the Company has accepted responsibility and the amount paid to claimants versus the amount originally claimed.

3. The third section shows the number of claims rejected and the dollar value associated with those claims.

4. The fourth section indicates those claims that remain outstanding at the end of the current quarter and the dollar value associated with such claims.

Overview - Second Quarter

The total number of damage claims received during the second quarter of 2010 has decreased in comparison to the number of claims received during the same period in 2009. The decrease is found primarily in the Equipment Failure and Miscellaneous categories.

The number of damage claims outstanding from the last quarter has been reduced by one. A claim originally reported in the Equipment Failure category in Eastern Region was withdrawn by the customer. The new total of outstanding damage claims is 25, down from 26 as reported in the summary for the quarter ending March 2010.

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Cause

For the Quarter Ending June 30, 2010

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	1	1	2	-	$ -	$ -	-	$ -	2	$ 1,700
Power Interruptions	-	2	2	2	959	959	-	-	-	-
Improper Workmanship	8	7	15	10	11,774	4,292	-	-	5	9,250
Weather Related	-	1	1	-	-	-	-	-	1	5,000
Equipment Failure	20	9	29	15	25,458	19,406	-	-	14	18,450
Third Party	-	2	2	1	630	630	-	-	1	500
Miscellaneous	13	3	16	12	4,873	4,321	-	-	4	2,150
Total	**42**	**25**	**67**	**40**	**$ 43,694**	**$ 29,608**	**-**	**$ -**	**27**	**$ 37,050**

For the Quarter Ending June 30, 2009

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	-	3	3	2	$ 195	$ 195	-	$ -	1	$ 1,000
Power Interruptions	-	-	-	-	-	-	-	-	-	-
Improper Workmanship	1	5	6	5	3,978	1,878	-	-	1	5,000
Weather Related	-	-	-	-	-	-	-	-	-	-
Equipment Failure	25	7	32	22	38,894	22,711	1	3,394	9	32,615
Third Party	-	-	-	-	-	-	-	-	-	-
Miscellaneous	22	6	28	21	25,348	17,485	2	3,713	5	46,697
Total	**48**	**21**	**69**	**50**	**$ 68,415**	**$ 42,269**	**3**	**$ 7,107**	**16**	**$ 85,312**

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Region

For the Quarter Ending June 30, 2010

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	24	20	44	25	$ 35,218	$ 22,957	-	$ -	19	$ 28,300
Western Region	18	5	23	15	8,476	6,651	-	-	8	8,750
Total	**42**	**25**	**67**	**40**	**$ 43,694**	**$ 29,608**	**-**	**$ -**	**27**	**$ 37,050**

For the Quarter Ending June 30, 2009

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	29	19	48	32	$ 46,931	$ 28,067	2	$ 4,494	14	$ 81,912
Western Region	19	2	21	18	21,484	14,202	1	2,613	2	3,400
Total	**48**	**21**	**69**	**50**	**$ 68,415**	**$ 42,269**	**3**	**$ 7,107**	**16**	**$ 85,312**

Definitions of Causes of Damage Claims

1. **System Operations:** Claims arising from system operations. Examples include normal reclosing or switching.

2. **Power Interruptions:** Claims arising from interruption of power supply. Examples include all scheduled or unscheduled interruptions.

3. **Improper Workmanship:** Claims arising from failure of electrical equipment caused by improper workmanship or methods. Examples include improper crimping of connections, insufficient sealing and taping of connections, improper maintenance, inadequate clearance, or improper operation of equipment.

4. **Weather Related:** Claims arising from weather conditions. Examples include wind, rain, ice, lightning, or corrosion caused by weather.

5. **Equipment Failure:** Claims arising from failure of electrical equipment not caused by improper workmanship. Examples include broken neutrals, broken tie wires, transformer failure, insulator failure or broken service wire.

6. **Third Party:** Claims arising from equipment failure caused by acts of third parties. Examples include motor vehicle accidents and vandalism.

7. **Miscellaneous:** All claims not related to electrical service.

NEWFOUNDLAND POWER INC.

CONTRIBUTION IN AID OF CONSTRUCTION
QUARTERLY ACTIVITY REPORT

For the Period Ended June 30, 2010

The table below summarizes Contribution In Aid of Construction (CIAC) activity for the second quarter of 2010. The table is divided into three sections. The first section identifies the type of service for which a CIAC has been calculated. Services are categorized as Domestic (located within a Residential Planning Area), Domestic (located outside a Residential Planning Area) or General Service.

The second section indicates the number of CIACs quoted during the quarter as well as the number of CIAC quotes that remained outstanding at the end of the previous quarter. This format facilitates a reconciliation of the total number of CIACs that were active during the quarter.

The third section provides information as to the disposition of the total CIACs quoted. A CIAC is considered Accepted when a customer indicates they wish to proceed with construction of the extension and has agreed to pay any charge that may be applicable. A CIAC is considered Outdated after six months has elapsed and the customer has not indicated their intention to proceed with the extension. A quoted CIAC is Outstanding if it is neither Accepted nor Outdated.

Type of Service	CIACs Quoted	CIACs Outstanding Previous Qtr.	Total CIACs Quoted	CIACs Accepted	CIACs Outdated	Total CIACs Outstanding
Domestic						
- Within Planning Area	18	12	30	15	3	12
- Outside Planning Area	41	23	64	33	3	28
	59	35	94	48	6	40
General Service	23	11	34	19	4	11
Total	82	46	128	67	10	51

The tables on Page 2 to 4 of the report provide specific information for the 82 CIACs quoted to customers during the period April 1, 2010 to June 30, 2010. Both the CIAC amounts quoted and the Estimated Construction Costs exclude HST.

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Second Quarter 2010

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (within Residential Planning Area)				
8-Apr-10	2010-51-102	1,010.00	4,160.00	Yes
21-Apr-10	2010-20-131	3,960.00	6,510.00	Yes
21-Apr-10	2010-20-132	5,130.00	7,680.00	Yes
21-Apr-10	2010-20-127	3,470.00	6,020.00	
21-Apr-10	2010-20-128	1,820.00	4,370.00	
21-Apr-10	2010-10-141	1,800.00	4,800.00	Yes
12-May-10	2010-20-141	4,430.00	7,430.00	Yes
14-May-10	2010-20-143	600.00	3,510.00	
20-May-10	2010-41-103	6,010.00	9,160.00	
20-May-10	2010-41-104	4,560.00	7,110.00	
26-May-10	2010-20-147	3,280.00	5,830.00	
4-Jun-10	2010-51-115	8,780.00	11,330.00	Yes
8-Jun-10	2010-10-123	2,740.00	5,290.00	Yes
8-Jun-10	2010-40-114	1,440.00	3,990.00	Yes
11-Jun-10	2010-51-108	1,480.00	4,030.00	
11-Jun-10	2010-51-106	1,690.00	4,240.00	Yes
22-Jun-10	2010-30-105	2,210.00	4,760.00	
28-Jun-10	2010-20-159	1,430.00	3,980.00	Yes
DOMESTIC (outside Residential Planning Area)				
6-Apr-10	2010-50-104	1,580.00	2,330.00	
21-Apr-10	2010-20-133	4,170.21	4,920.21	Yes
22-Apr-10	2010-10-127	2,508.48	3,258.48	
22-Apr-10	2010-50-107	630.00	1,380.00	
26-Apr-10	2010-10-121	2,508.48	3,258.48	Yes
28-Apr-10	2010-51-107	3,630.00	4,380.00	Yes
3-May-10	2010-20-134	2,102.30	2,852.30	Yes
3-May-10	2010-20-139	3,061.48	3,811.48	Yes
6-May-10	2010-10-131	174,570.80	220,920.88	
7-May-10	2010-30-102	4,331.29	5,081.29	Yes
7-May-10	2010-50-108	2,961.54	3,711.54	Yes
10-May-10	2010-20-140	21,666.00	23,916.00	
11-May-10	2010-50-109	2,961.54	3,711.54	Yes
12-May-10	2010-10-135	2,289.94	3,039.94	Yes
12-May-10	2010-10-128	3,628.89	4,378.89	Yes
19-May-10	2010-20-146	1,045.58	1,795.58	Yes
21-May-10	2010-40-108	480.00	1,230.00	Yes
27-May-10	2010-40-111	1,320.00	2,070.00	Yes
27-May-10	2010-30-104	4,331.29	5,081.29	Yes
31-May-10	2010-51-109	32,190.00	40,590.00	

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Second Quarter 2010

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (outside Residential Planning Area)				
31-May-10	2010-51-112	17,000.00	32,750.00	
31-May-10	2010-51-111	2,227.78	2,977.78	Yes
1-Jun-10	2010-10-137	1,879.34	2,629.34	Yes
9-Jun-10	2010-20-151	2,102.30	2,852.30	
9-Jun-10	2010-20-149	660.00	1,860.00	Yes
9-Jun-10	2010-20-148	2,755.20	3,505.20	Yes
9-Jun-10	2010-20-152	3,106.34	3,856.34	
11-Jun-10	2010-51-114	811.00	1,561.00	Yes
11-Jun-10	2010-50-113	2,961.54	3,711.54	Yes
14-Jun-10	2010-41-106	8,436.53	9,186.53	Yes
15-Jun-10	2010-20-142	360.00	1,470.00	
16-Jun-10	2010-10-139	2,289.94	3,039.94	
16-Jun-10	2010-10-125	3,628.89	4,378.89	Yes
16-Jun-10	2010-10-140	3,879.35	4,629.35	
16-Jun-10	2010-20-157	450.00	1,500.00	
16-Jun-10	2010-20-153	2,877.34	3,627.34	Yes
22-Jun-10	2010-51-116	2,227.78	2,977.78	
22-Jun-10	2010-30-106	4,331.29	5,081.29	Yes
23-Jun-10	2010-20-158	2,102.30	2,852.30	
23-Jun-10	2010-50-114	2,961.54	3,711.54	
25-Jun-10	2010-30-110	5,600.75	6,350.75	Yes
GENERAL SERVICE				
7-Apr-10	2010-10-117	2,500.00	9,535.00	Yes
8-Apr-10	2010-51-104	37,420.00	39,970.00	Yes
9-Apr-10	2010-41-102	3,860.00	11,740.00	
13-Apr-10	2010-40-106	780.00	3,330.00	Yes
21-Apr-10	2010-20-130	17,095.00	47,865.00	Yes
26-Apr-10	2010-20-125	627.00	2,220.00	
26-Apr-10	2010-20-124	1,666.00	3,270.00	
29-Apr-10	2010-10-115	19,477.50	22,027.50	Yes
3-May-10	2010-20-126	48,330.00	50,880.00	
4-May-10	2010-10-124	1,085.00	9,985.00	Yes
14-May-10	2010-20-144	870.00	3,420.00	Yes
18-May-10	2010-20-136	3,011.50	11,974.00	Yes
18-May-10	2010-20-145	420.00	2,970.00	Yes
21-May-10	2010-40-110	7,419.00	16,995.00	Yes
27-May-10	2010-40-109	2,487.00	14,852.00	Yes
27-May-10	2010-41-105	1,200.00	3,750.00	Yes
27-May-10	2010-31-104	101,552.00	104,102.00	

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Second Quarter 2010

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
GENERAL SERVICE				
1-Jun-10	2009-10-175	3,219.00	12,236.00	Yes
8-Jun-10	2010-40-115	840.00	3,390.00	Yes
8-Jun-10	2010-20-150	14,020.00	20,245.00	Yes
10-Jun-10	2010-30-103	1,170.00	6,270.00	Yes
10-Jun-10	2010-30-109	7,893.00	8,283.00	
22-Jun-10	2010-31-105	7,890.00	12,990.00	

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
P.O. Box 8910
St. John's, NL A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

November 10, 2010

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

Enclosed are eleven copies of Newfoundland Power Inc.'s Quarterly Regulatory Report for the quarter ending September 30, 2010.

The report is divided into five sections: Quarterly Summary; Capital Expenditure Progress; Inter-Company Transactions; Customer Property Damage Claims; and Contribution In Aid of Construction Activity.

If you have any questions on the enclosed, please contact the undersigned at the direct number noted below.

Yours very truly,

Gerard M. Hayes
Senior Counsel

Enclosures

c. Geoffrey P. Young
Newfoundland & Labrador Hydro

Quarterly Regulatory Report

For The Period Ended

September 30, 2010

NEWFOUNDLAND POWER
A FORTIS COMPANY

QUARTERLY REGULATORY REPORT

FOR THE PERIOD ENDED

September 30, 2010

INDEX	TAB
Quarterly Summary	1
Capital Expenditure Progress	2
Inter-Company Transactions	3
Customer Property Damage Claims	4
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1. Highlights

Highlights	3rd Quarter			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan 2010
Customer Satisfaction (%)	89	89	89	89
Electricity Delivery [1]				
Electricity Sales (GWh)	915.4	918.1	885.0	5,349.9
Peak Demand (MW) [2]	1,237.4	1,253.8	1,237.1	1,253.8
Customer Minutes of Outage [3]	126.2	8.7	4.5	36.6
Injury Frequency Rate [4]	2.2	1.8	0.8	1.8
Revenue ($millions)	99.0	99.2	92.9	547.0
Earnings ($millions) [5]	7.6	8.9	7.1	34.0

- 3rd quarter customer satisfaction was 89%.
- Electricity sales were lower than plan.
- 3rd quarter reliability performance was impacted by Hurricane Igor.
- 3 medical aid and no lost time incidents occurred in the 3rd quarter.
- 3rd quarter earnings were below plan.
- J.D. Power and Associates reported that Newfoundland Power had the highest customer satisfaction among Canadian utilities.

1 Weather adjusted.
2 Peak demand for the 2009/2010 winter period occurred on February 3rd, 2010 at 7:45 a.m.
3 In millions of minutes, excluding Hydro related interruptions.
4 Injuries per 200,000 hours worked.
5 Earnings applicable to common shares.

2. Customer Service

Customer Service Performance (%)	Year to Date			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan 2010
Customer Satisfaction	89	89	90	89
First Call Resolution [1]	88	88	89	88
Service Level [2]	75	80	78 [4]	80
Trouble Call Response [3]	49	85	92	85

[1] % of customer calls resolved on first contact.
[2] % of customer calls answered within 60 seconds.
[3] % of trouble call response within two hours.
[4] % of customer calls answered within 40 seconds.

Customer Service Performance

3rd quarter satisfaction was 89%. First call resolution is consistent with plan and 2009. Year to date service level is below plan. The Company has changed the service level performance target from 80% of calls answered in 40 seconds to 80% of calls answered in 60 seconds, on a test basis. There has been no negative impact on customers' service feedback or satisfaction levels.

Trouble call response was below plan and 2009. Performance was negatively impacted by the extensive damage caused by Hurricane Igor.

J.D. Power and Associates reported that Newfoundland Power ranked highest among Canadian utilities in customer satisfaction, and performed well in all areas surveyed.

Customer Service Improvements

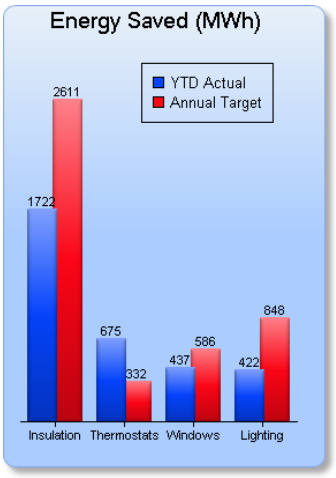
Newfoundland Power used Twitter for the first time to communicate with customers regarding outage restoration and safety following Hurricane Igor.

The Company held a contest supported with targeted advertising which has increased participation in eBills by over 1,500 customers, to over 33,200 by the end of September. This contest was extended to October 14th, due to Hurricane Igor.

The Company introduced web and phone based applications to accept payment arrangements and payment notifications from customers. The applications have the ability to inform customers if the arrangement or payment is sufficient to stop credit action. Approximately 250 customers are now availing of these applications daily.

Energy Conservation

During the 3rd quarter, 2,327 Newfoundland Power customers participated in one or more of the takeCHARGE! Energy Saver programs. Energy savings from these programs is 4.6 GWh, exceeding the Company's annual target of 4.4 GWh.



The takeCHARGE! team attended 12 events and gave 6 presentations to customer and partner groups during the quarter. Some of the events during the quarter included the Lewisporte Regatta, East meets West meets North in Mount Pearl and Corner Brook, Strawberry Festival in Pasadena, Seniors Convention in Gander, International Youth Day in Catalina, and Trade and Craft shows in Springdale and Lewisporte. The majority of presentations for the 3rd quarter involved education and information sessions for retailers.

Habitat for Humanity Pleasantville Project

In August the takeCHARGE! team provided programmable thermostats and CFLs for the Habitat for Humanity homes being built in Pleasantville. The team, along with other Newfoundland Power employees installed the insulation for two of the four homes.

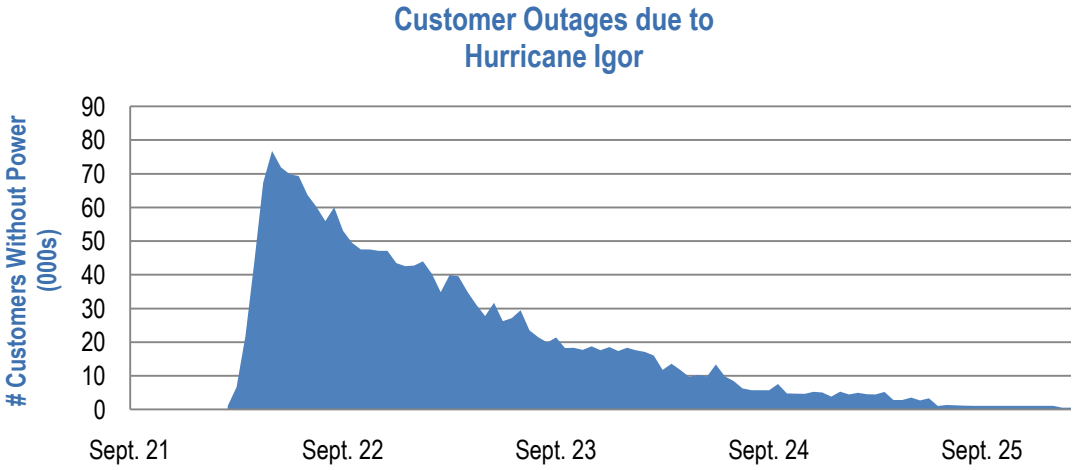
3. System Performance

A. Reliability

System Reliability [1]	Year to Date			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan 2010
Customer Minutes of Outage [2]	182.0	26.3	22.7	36.6
SAIDI (Outage hours per customer)	13.03	1.87	1.65	2.62
SAIFI (Outages per customer)	2.23	1.54	1.45	2.15

[1] Excludes Hydro-related interruptions.
[2] In millions of minutes.

On September 21st Hurricane Igor caused extended power interruptions on the Avalon, Burin and Bonavista Peninsulas. Approximately 111 million customer minutes of outage resulted from the storm, compared to a total of 35 million customer minutes of outage during all of 2009. All system reliability targets were affected by this storm.



Other significant unplanned power interruptions during the 3rd quarter were:

August 4th: A vehicle accident caused damage to a pole resulting in an outage to 788 customers in Botwood and resulted in 457,040 customer minutes of outage.

August 29th: A crow caused damage to a substation breaker resulting in an outage to 6,233 customers in the Chamberlains area and resulted in 406,159 customer minutes of outage.

August 29th: A broken insulator caused an outage to 1,087 customers in the Amherst Heights area of St. John's and resulted in 373,928 customer minutes of outage.

September 5th: A fallen tree caused an outage to 981 customers in the Summerside – Irishtown area and resulted in 446,355 customer minutes of outage.

B. Electricity Supply

Electricity Supply	3rd Quarter			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan 2010
Energy Purchased (GWh) [1]	884.6	885.3	881.5	5,238.8
Peak Demand (MW) [1, 2]	1,237.4	1,253.8	1,237.1	1,253.8
Hydro Plant Production (GWh)	77.7	79.0	61.0	428.8
Plant Availability (%)	93.7	96.0	97.8	96.0

[1] Weather adjusted.
[2] Peak demand for the 2009/2010 winter period occurred on February 3rd, 2010 at 7:45 a.m.

Energy purchased during the 3rd quarter was 0.7 GWh lower than plan due to lower than expected electricity sales.

During the 3rd quarter, hydro plant production was comparable to plan and 16.7 GWh higher than the same period of 2009. Total water inflows for the 3rd quarter of 2010 were 75.2 GWh, compared to a normal inflow of 61.5 GWh. Total inflows were higher than normal mainly due to Hurricane Igor. This weather system contributed 22 GWh to our plant reservoirs.

Port Union Plant during Hurricane Igor

Hydro plant availability was 93.7% in the 3rd quarter compared to a plan of 96.0%. The reduced plant availability is mainly attributable to issues at two plants. An unplanned outage at Topsail plant resulted when a stick became wedged in the generator, and planned maintenance resulted in the Mobile plant being unavailable for several weeks.

There were 58 forced outages in the 3rd quarter compared to the 39 experienced in the 3rd quarter of 2009.

4. Financial Matters

Financial Highlights	3rd Quarter			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan 2010
Electricity Sales (GWh)	915.4	918.1	885.0	5,349.9
Revenue ($millions)	99.0	99.2	92.9	547.0
Purchased Power Costs ($millions)	50.4	50.4	49.8	351.0
Operating Costs ($millions) [1]	14.3	12.4	11.1	53.4
Operating Cost per Customer ($)	60	53	48	229
Earnings ($millions) [2]	7.6	8.9	7.1	34.0

[1] Excluding pension and early retirement program costs.
[2] Earnings applicable to common shares.

Financial Results

3rd quarter electricity sales were slightly below plan.

Revenue and purchased power costs for the 3rd quarter of 2010 were on plan.

Operating costs for the 3rd quarter were higher than plan due to costs associated with Hurricane Igor. Increased operating costs compared to 2009 also reflect inflationary and wage increases, and timing of operating labour costs.

Earnings for the 3rd quarter were lower than plan primarily due to increased costs associated with Hurricane Igor.

Cost Deferral Application

On August 31st the Company filed an application with the Board requesting deferred recovery of 2011 costs of $2.4 million due to expiring regulatory amortizations in 2010. The application is currently under review by the Board.

Joint Use Arrangements

The Company is currently in negotiations with Bell Aliant regarding the transfer and the future operational and financial arrangements associated with joint use utility support structures. During the 2nd quarter the Company received notice from Bell Aliant of its intention not to renew its current arrangements for joint use of utility support structures with the Company. The current arrangements expire on December 31st, 2010.

International Financial Reporting Standards ("IFRS")

Newfoundland Power's preparations for adoption of International Financial Reporting Standards (IFRS) remain on track. However, the Canadian Accounting Standards Board (AcSB) has recently amended Canadian Accounting standards to allow optional deferral of IFRS adoption to 2012 for qualifying regulated utilities. This amendment was made in response to the continued uncertainty regarding the treatment of regulatory assets and liabilities under IFRS. The treatment of regulatory assets and liabilities under IFRS continues to be on the agenda of the International Accounting Standards Board, but they have reconfirmed that the matter cannot be resolved quickly. The Company has elected to defer the adoption of IFRS until January 1st, 2012.

5. Capital Program

2010 Capital Expenditures	Year to Date			Annual
	Actual 2010	Plan [1] 2010	Actual 2009	Plan [1] 2010
Total ($000s)	52,471	53,174	49,047	69,451

[1] Plan includes $4.2 million in capital cost associated with the March 5th ice storm in Eastern Newfoundland. Plan also includes $297,000 carryover for the Western Avalon Substation Vale Inco project and $275,000 for Water Street underground civil work.

2010 Capital Expenditure

Capital expenditures were less than plan in the 3rd quarter as resources were deployed to restore the electricity system from the impact of Hurricane Igor in late September.

Distribution related capital was higher than plan mainly due to customer growth and 3rd party work associated with telecommunications company infrastructure.

Service Truck during Hurricane Igor

In addition to the customer driven work that continued to be strong throughout the 3rd quarter, a number of large capital projects were underway. Capital project activity during the 3rd quarter included:

- Construction was completed on a 10 km section of 110L on the Bonavista Peninsula. Work is ongoing on a 4 km section of 110L along the TCH. The rebuild of 41L in the Avalon area, damaged during the March 2010 ice storm, has been completed.
- Work on the Lookout Brook hydro plant governor and switchgear replacement continued throughout the 3rd quarter. The project is scheduled for completion in November. Other projects with significant work completed which are scheduled to return to service in November include Petty Harbour surge tank upgrade and valve replacement, and Seal Cove runner and wicket gate replacement.
- Projects at Long Pond Dam, Seal Cove Intake Structure and Butlers Pond Spillway have been set back from 1 to 3 weeks as a result of damage experienced during Hurricane Igor.
- Work is nearing completion on the project to relocate the power transformer from Deer Lake substation to Mobile substation. The former Deer Lake transformer will be energized at Mobile substation during the 1st week of November.

6. Safety

Safety Performance	Year to Date			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan 2010
Injury Frequency Rate [1]	2.1	1.8	0.9	1.8

[1] Injuries per 200,000 hours worked.

Safety Performance

There were three medical aid and no lost time injuries during the 3rd quarter. Two of the medical aid injuries involved minor cuts and the third was due to a particle in an employee's eye. While there was an increase in the number of injuries on a year to date basis compared to 2009, the overall severity of these injuries has decreased from 53 calendar days lost in 2009 to only 16 days lost year to date in 2010. There were no injuries experienced by any employee or contractor during the restoration effort resulting from Hurricane Igor.

There were six preventable vehicle accidents during the 3rd quarter as compared to one preventable vehicle accident for the 3rd quarter of 2009. Year to date 2010 there were a total of nine preventable vehicle accidents, which is down from the thirteen preventable vehicle accidents recorded at the end of the 3rd quarter of 2009.

OHSD Regulatory Activity

During the week of September 6th an officer from Occupational Health & Safety Division (OHSD) conducted an inspection of a Company pole installation/removal contractor working in Marystown. No deficiencies were found and no orders were issued.

The Company is working with OHSD and Municipalities Newfoundland and Labrador to implement a new procedure to properly ground waterlines to ensure safety during repair work. Waterlines are part of the electrical grounding system for many homes and cutting waterlines can pose an electrical arc hazard for workers.

Contractor Safety

During the 3rd quarter, the Company developed an Electrical Safety Program Manual for its pole installation and removal contractors. The electrical safety program was developed to facilitate compliance with legal requirements under the recently updated Occupational Health & Safety Regulations. Meetings were held with all contractor company owners and training was conducted for their employees to introduce and review the requirements.

Health and Safety OHSAS 18001 Audit

An audit of the Company's Health & Safety Management System (HSMS) was conducted in September. The audit confirmed that the Company remains compliant with the OHSAS 18001 standard and that the HSMS is operating as intended. Several opportunities for improvement were identified including the timely completion of safety training and more rigorous document control.

Traffic Control

The Company worked closely with Nalcor, Bell Aliant, Rogers Communications and EastLink Communications during the 3rd quarter to develop a utility specific standard for traffic control. When finalized, the new standard will be submitted to the Department of Transportation & Works and OHSD for review and approval.

Public Safety

During the quarter, there were eight public safety incidents. This is a decrease from the 2nd quarter when there were fourteen incidents. Five of these were low voltage contacts involving trucks or equipment contacting service wires. Three were high voltage contacts which included two boom trucks making contact with power distribution lines and a customer who received a mild shock while pruning trees. None of these incidents resulted in injury.

Public safety advertising continued throughout the 3rd quarter via various media including print, television, radio and customer bill inserts. While the majority of messaging focused on high voltage electrical safety awareness, driving safely through construction zones and back to school safety were also highlighted.

7. Environment

Environment Performance	Year to Date			Annual
	Actual 2010	Plan 2010	Actual 2009	Plan 2010
Number of Spills	68	50	60	67
Reportable PCB Spills [1]	0	2	1	2
Volume of Oil Spills (Litres)	1,302[2,3]	675	1,145 [4]	900

[1] Criteria for reporting of PCB spills have been revised as a result of the new PCB Regulations. PCB spills must be reported if any of the following conditions exist:
- All oil spills in water regardless of PCB concentration or volume.
- All PCB spills that exceed the one gram rule.
- All oil spills of equipment in storage / inventory (not in use) that exceed a concentration of 2 ppm PCBs regardless of quantity.

[2] The volume of one of the spills which occurred at the Port Union Hydro Plant as a result of Hurricane Igor in the 3rd quarter of 2010 is an estimate only as the true volume will not be determined until the unit has been broken down for repairs. The estimated volume of 90 litres will be adjusted in the 4th quarter.

[3] Of the 958 litres released during the 3rd quarter of 2010, 640 litres resulted from Hurricane Igor.

[4] Of the 60 recorded spills ending in the 3rd quarter of 2009, one spill contributed to a release of 519 litres.

The number of spills to date is higher than the same period in 2009 as a result of the March 2010 ice storm and Hurricane Igor in September. Due to these storms, the number and volume of spills will exceed the 2010 plan.

PCB Regulations

In early September, Environment Canada provided the Canadian Electricity Association (CEA) with a draft Compliance Promotion Guide for the recently amended PCB Regulations. The guide is meant to provide the industry with a tool to assist in interpretation of the regulations. On September 24th, CEA sent a letter to Environment Canada addressing several concerns with the draft guide, particularly regarding the wording of the oil re-use restriction which does not fully address the utility exemption for oil re-use.

Audit Activity

An audit of the Company's Environmental Management System was completed during the 3rd quarter and verified our compliance with ISO 14001 international standard.

Training

In the 3rd quarter, environmental training was provided to 32 Company employees and 131 contractor employees (those doing work on behalf of the Company) bringing the total year to date to 71 and 276 Company and contractor participants, respectively. This training reinforced the importance for our employees and contractors to perform their duties in an environmentally responsible manner.

8. Community

The Power of Life Project

Clarenville area employees held their 6th Annual Clarenville Golf Tournament on September 11th in support of *The Power of Life Project*. The event was well attended with over 80 golfers and raised over $10,000.

The Power of Life Project received a $10,000 financial boost from the K-Rock Scavenger Hunt. Many employees participated in gathering items required for the Hunt and donated the money to the *Power of Life Project*.

Cupids 400

Cupids 400 celebration
Commemorative Plaque

Newfoundland Power was recognized as a major sponsor of the Cupids 400 celebrations during the opening ceremonies of the Cupids 400 Legacy Centre in August. As part of our sponsorship, the Company helped beautify the grounds around the Legacy Centre and a slate plaque has been placed alongside the walkway to the centre recognizing our involvement.

Help for Home Radiothon

Newfoundland Power employees answered the phones during the 'Help for Home' Radiothon on September 29th. Employees also made a donation of $5,000, which was matched by the Company. Funds raised were used by the Salvation Army for distribution to individuals and communities affected by Hurricane Igor.

Help for Home Radiothon
September 29th – Avalon Mall

Camp Delight

The Power of Life Project, through the generous support of our employees and customers, donated $5,000 to Camp Delight, a major project of the Candlelighters Association of Newfoundland and Labrador.

Camp Delight is an 8 day camp that hosts approximately 50 young people, ages 7 – 17 years, who have been affected by cancer. Carbonear area employees have supported Camp Delight for the past 15 years through the generous donation of backpacks that are filled with goodies which are enjoyed by the children.

Safety Orientation Training for Habitat for Humanity Volunteers

Between June 22nd and July 8th the Company provided health and safety orientation training for more than 100 Cabot Habitat for Humanity construction volunteers. The five training sessions were conducted at the Kenmount Road office building after normal working hours to accommodate the schedules of the volunteers.

FINANCIAL STATEMENTS

NEWFOUNDLAND POWER INC.
BALANCE SHEETS
As At September 30
($000s)

	2010	2009 [1]
Capital Assets		
Property plant and equipment	1,271,520	1,216,728
Less: accumulated amortization	460,948	438,757
	810,572	777,971
Current Assets		
Cash	2,431	10,625
Accounts receivable	42,050	40,421
Income tax receivable	-	3,348
Materials and supplies	979	913
Prepaid expenses	1,824	1,904
Regulatory assets	5,810	10,821
	53,094	68,032
Accrued Pension	98,153	97,146
Regulatory Assets	203,085	195,135
Intangible Assets, net of amortization	15,249	15,491
Other Assets	1,893	1,713
Total Assets	**1,182,046**	**1,155,488**
Shareholders' Equity		
Common shares	70,321	70,321
Retained earnings	324,882	308,521
Common shareholder's equity	395,203	378,842
Preference shares	9,111	9,111
	404,314	387,953
Current Liabilities		
Accounts payable and accrued charges	45,895	43,658
Income tax payable	651	-
Current instalments of long-term debt	5,200	5,200
Future income taxes	187	211
Regulatory liabilities	2,429	11,145
	54,362	60,214
Future Income Taxes	123,546	121,222
Long-term Debt	468,693	465,713
Other Liabilities	55,024	48,887
Regulatory Liabilities	76,107	71,499
Total Shareholders' Equity and Liabilities	**1,182,046**	**1,155,488**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS
For The Periods Ended September 30
($000s)

	THIRD QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2010	Plan 2010	Actual 2009	Actual 2010	Plan 2010	Actual 2009	Plan 2010	Actual 2009
Revenue	99,000	99,165	92,872	403,473	399,874	380,673	547,048	527,179
Purchased Power	50,356	50,386	49,833	256,160	253,129	246,376	351,034	345,656
Contribution	48,644	48,779	43,039	147,313	146,745	134,297	196,014	181,523
Operating Expenses	14,324	12,384	11,143	41,163	39,770	36,376	53,402	49,315
Pension and Early Retirement Program Costs	1,930	2,067	687	5,661	6,129	2,010	8,196	2,673
Amortization	11,038	11,001	10,565	32,213	32,116	30,934	43,452	41,825
Amortization True-Up Deferral	965	965	966	2,896	2,895	2,897	3,860	3,862
Finance Charges	8,916	9,025	9,020	26,885	27,150	25,768	36,091	34,555
Earnings Before Income Taxes	11,471	13,337	10,658	38,495	38,685	36,312	51,013	49,293
Income Taxes	3,717	4,310	3,452	12,284	12,493	11,892	16,487	16,092
Net Earnings	7,754	9,027	7,206	26,211	26,192	24,420	34,526	33,201
Dividends on Preference Shares	142	140	142	426	423	432	564	573
Earnings Applicable to Common Shares	**7,612**	**8,887**	**7,064**	**25,785**	**25,769**	**23,988**	**33,962**	**32,628**

NEWFOUNDLAND POWER INC.
STATEMENTS OF RETAINED EARNINGS
For The Periods Ended September 30
($000s)

	2010	2009
Balance, Beginning of the Period	310,864	303,417
Net Earnings	26,211	24,420
Dividends		
Preference Shares	(426)	(432)
Common Shares	(11,767)	(18,884)
Balance, End of the Period	**324,882**	**308,521**

NEWFOUNDLAND POWER INC.
STATEMENTS OF CASHFLOWS
For The Periods Ended September 30
($000s)

	2010	2009 [1]
Operating Activities		
Net earnings	26,211	24,420
Items not affecting cash:		
Amortization of property, plant and equipment	30,085	28,765
Amortization of intangibles and other	2,317	2,366
Change in regulatory assets and liabilities	4,872	3,108
Future income taxes	(699)	960
Employee future benefits	(250)	(3,821)
Change in non-cash working capital	7,023	(10,293)
	69,559	45,505
Investing Activities		
Capital expenditures (net of salvage)	(55,126)	(50,274)
Intangible expenditures	(1,264)	(1,515)
Contributions from customers and other	1,947	3,225
	(54,443)	(48,564)
Financing Activities		
Net proceeds from (repayment of) committed credit facility	(5,500)	(32,000)
Proceeds from long-term debt	-	65,000
Payment of debt financing costs	(300)	(378)
Redemption of preference shares	-	(241)
Dividends		
Preference shares	(426)	(432)
Common shares	(11,767)	(18,884)
	(17,993)	13,065
Decrease (Increase) in Cash	(2,877)	10,006
Cash, Beginning of the Period	5,308	619
(Bank Indebtedness) Cash, End of the Period	**2,431**	**10,625**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

APPENDICES

NEWFOUNDLAND POWER INC.
ELECTRICITY STATISTICS
For The Periods Ended September 30

	THIRD QUARTER		YEAR TO DATE		ANNUAL
	2010	2009	2010	2009	2009
Sales (GWh)					
Actual	898.6	886.3	3,792.3	3,747.3	5,227.5
Weather adjusted	915.4	885.0	3,930.8	3,825.1	5,299.0
Plan[1]	918.1		3,898.7		
Produced & Purchased (GWh)					
Actual	946.0	932.8	4,017.1	3,969.9	5,538.2
Weather adjusted	963.6	931.5	4,163.4	4,052.2	5,613.8
Plan[1]	966.3		4,130.0		
Hydro Production (GWh)					
Actual	77.7	61.0	340.3	293.8	426.7

[1] Based on Customer, Energy and Demand Forecast dated December 11, 2009.

NEWFOUNDLAND POWER INC.
STATEMENTS OF ELECTRICITY SOLD (GWh)
For The Periods Ended September 30

WEATHER ADJUSTED

	THIRD QUARTER			YEAR TO DATE			ANNUAL	
BY SALES CATEGORY	**Actual 2010**	**Plan[1] 2010**	**Actual 2009**	**Actual 2010**	**Plan[1] 2010**	**Actual 2009**	**Plan[1] 2010**	**Actual 2009**
Residential	475.8	466.3	449.2	2,373.9	2,322.7	2,279.9	3,234.9	3,203.3
Commercial								
0-10 kW	18.1	17.6	17.4	68.4	66.7	65.7	89.7	89.8
10-100 kW	124.2	126.0	121.8	479.3	482.8	471.4	653.0	640.9
110-1000 kVA	183.0	188.2	182.0	666.9	667.8	653.7	898.7	890.5
1000 kVA and Over	106.6	112.1	106.6	317.5	333.8	329.3	437.6	438.0
Total Commercial	431.9	443.9	427.8	1,532.1	1,551.1	1,520.1	2,079.0	2,059.2
Street Lighting	7.7	7.9	8.0	24.8	24.9	25.1	36.0	36.5
Total Sales	**915.4**	**918.1**	**885.0**	**3,930.8**	**3,898.7**	**3,825.1**	**5,349.9**	**5,299.0**
BY REGION								
Eastern [2]	640.4	641.8	616.9	2,770.7	2,739.1	2,682.5	3,761.1	3,719.3
Western [3]	275.0	276.3	268.1	1,160.1	1,159.6	1,142.6	1,588.8	1,579.7
Total Sales	**915.4**	**918.1**	**885.0**	**3,930.8**	**3,898.7**	**3,825.1**	**5,349.9**	**5,299.0**

[1] Based on Customer, Energy and Demand Forecast dated December 11, 2009.

[2] Eastern Region includes the St. John's, Avalon, Burin and Clarenville operating areas.

[3] Western Region includes the Gander, Grand Falls - Windsor, Corner Brook and Stephenville operating areas.

NEWFOUNDLAND POWER INC.
STATEMENTS OF REVENUE
For The Periods Ended June 30
($000s)

WEATHER ADJUSTED

BY SALES CATEGORY	THIRD QUARTER Actual 2010	THIRD QUARTER Plan [1] 2010	THIRD QUARTER Actual 2009	YEAR TO DATE Actual 2010	YEAR TO DATE Plan [1] 2010	YEAR TO DATE Actual 2009	ANNUAL Plan [1] 2010	ANNUAL Actual 2009
Residential	51,806	50,923	47,466	239,680	235,067	221,405	325,881	309,360
Commercial								
0-10 kW	2,552	2,492	2,431	9,142	8,963	8,692	12,029	11,840
10-100 kW	12,788	12,911	12,294	48,107	48,443	46,311	65,650	63,318
110-1000 kVA	15,842	16,138	15,245	57,018	56,755	54,267	76,551	74,182
1000 kVA and Over	7,882	8,301	7,672	23,399	24,726	23,728	32,480	31,675
Total Commercial	39,064	39,842	37,642	137,666	138,887	132,998	186,710	181,015
Street Lighting	3,383	3,354	3,234	10,081	10,049	9,633	13,408	12,862
Forfeited Discounts	425	464	413	1,884	2,159	2,035	2,783	2,644
Revenue From Rates	**94,678**	**94,583**	**88,755**	**389,311**	**386,162**	**366,071**	**528,782**	**505,881**
Energy Supply Cost Variance [2]	(28)	-	(310)	1,200	-	807	-	2,878
Amortizations [3]								
2010 Pension Expense Variance Deferral	(160)	-	-	(480)	-	-	-	-
2005 Unbilled Remaining Balance	1,155	1,155	1,155	3,465	3,465	3,465	4,618	4,618
Total Reported Revenue	**95,645**	**95,738**	**89,600**	**393,496**	**389,627**	**370,343**	**533,400**	**513,377**
Other Revenue	3,355	3,427	3,272	9,977	10,247	10,330	13,648	13,802
Total Operating Revenue	**99,000**	**99,165**	**92,872**	**403,473**	**399,874**	**380,673**	**547,048**	**527,179**

(1) Based on 2010 Test Year sales forecast dated December 11, 2009 and rates effective January 1, 2010 as approved by Order No. P.U. 46(2009).
(2) Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).
(3) Revenue amortizations as approved in Order No. P.U. 43(2009) & Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
SUMMARY OF WEATHER ADJUSTMENTS
For The Periods Ended September 30
($000s)

	THIRD QUARTER			YEAR TO DATE			ANNUAL	
REVENUE FROM ELECTRICITY SALES	**Actual 2010**	**Plan [1] 2010**	**Actual 2009**	**Actual 2010**	**Plan [1] 2010**	**Actual 2009**	**Plan [1] 2010**	**Actual 2009**
Actual	93,203	94,583	88,845	377,608	386,162	359,794	528,782	500,123
Degree Day & Wind Adjustment	1,475	-	(90)	11,703		6,277	-	5,758
Weather Adjusted	**94,678**	**94,583**	**88,755**	**389,311**	**386,162**	**366,071**	**528,782**	**505,881**
Energy Supply Cost Variance [2]	(28)	-	(310)	1,200	-	807	-	2,878
Amortizations [3]								
2010 Pension Expense Variance Deferral	(160)	-	-	(480)	-	-	-	-
2005 Unbilled Remaining Balance	1,155	1,155	1,155	3,465	3,465	3,465	4,618	4,618
Total Reported Revenue	**95,645**	**95,738**	**89,600**	**393,496**	**389,627**	**370,343**	**533,400**	**513,377**
PURCHASED POWER EXPENSE								
Actual	48,186	49,885	48,483	238,852	251,626	238,858	349,023	336,954
Degree Day & Wind Adjustment	1,562	-	(117)	12,891		7,247	-	6,663
Hydro Equalization Adjustment	(114)	-	966	2,496		(1,232)	-	29
Purchased Power Weather Adjusted	**49,634**	**49,885**	**49,332**	**254,239**	**251,626**	**244,873**	**349,023**	**343,646**
Demand Management Incentive Account [4]	221	-	-	418	-	-	-	-
Amortizations [5]								
Rattling Brook Deferral	150	150	150	450	450	450	598	598
PPUCVR Balance at Dec 31, 2006	(174)	(174)	(174)	(522)	(522)	(522)	(688)	(688)
Weather Normalization Reserve	525	525	525	1,575	1,575	1,575	2,101	2,100
Total Purchased Power Expense	**50,356**	**50,386**	**49,833**	**256,160**	**253,129**	**246,376**	**351,034**	**345,656**

(1) Based on 2010 Test Year sales forecast dated December 11, 2009 and rates effective January 1, 2010 as approved by Order No. P.U. 46(2009).
(2) Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).
(3) Revenue amortizations as approved in Order No. P.U. 43(2009) & Order No. P.U. 32(2007).
(4) Demand Management Incentive Account as approved in Order No. P.U. 32(2007).
(5) Amortizations for 2009 & 2010 as approved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS - DETAIL
For The Periods Ended September 30
($000s)

	THIRD QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2010	Plan 2010	Actual 2009	Actual 2010	Plan 2010	Actual 2009	Plan 2010	Actual 2009
Other Revenue								
Joint Use Revenue								
Aliant	1,893	1,869	1,805	5,502	5,523	5,414	7,392	7,219
CATV	505	499	500	1,518	1,495	1,501	1,993	2,000
Total Joint Use Revenue	2,398	2,368	2,305	7,020	7,018	6,915	9,385	9,219
Miscellaneous								
Customer Jobbing	62	106	124	298	339	397	445	663
Rental Income	6	6	7	10	19	17	25	17
Municipal Tax Liability [1]	341	341	342	1,023	1,022	1,026	1,362	1,364
Interest - Customer Accounts	176	304	165	630	929	675	1,222	818
Interest - RSA	12	(11)	(26)	52	(33)	36	(44)	-
Interest - CIAC	24	31	28	75	95	81	125	107
Interest - Other	24	31	29	76	95	93	125	243
Reconnections	27	22	35	85	66	63	86	85
NSF Cheque Charges	7	10	8	25	30	26	40	34
Wheeling Charges	134	133	131	437	405	426	532	566
Miscellaneous	71	19	44	59	57	388	75	434
Service Connection Fees	73	67	80	187	205	187	270	252
Total Miscellaneous	957	1,059	967	2,957	3,229	3,415	4,263	4,583
Total Other Revenue	**3,355**	**3,427**	**3,272**	**9,977**	**10,247**	**10,330**	**13,648**	**13,802**
Finance Charges								
Interest on Long-term Debt	8,988	8,969	9,089	26,963	26,944	25,560	35,849	34,547
Interest on Long-term Committed Credit Facility	77	102	36	206	307	368	390	396
Interest on Short-term Uncommitted Demand Facility	-	-	-	9	-	7	-	7
Amortization of Deferred Debt Issue Costs	64	47	66	159	139	170	185	235
Amortization of Capital Stock Issue Expenses	9	9	9	28	28	28	38	38
Interest on Security Deposits	1	-	1	3	-	7	-	8
Interest Charged to Construction	(223)	(102)	(181)	(483)	(268)	(372)	(371)	(676)
Total Finance Charges	**8,916**	**9,025**	**9,020**	**26,885**	**27,150**	**25,768**	**36,091**	**34,555**

[1] Amortization of the Municipal Tax Liability as approved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
CUSTOMER AND EMPLOYEE STATISTICS
As At September 30

	THIRD QUARTER		ANNUAL	
	Actual 2010	**Actual 2009**	**Plan 2010**	**Actual 2009**
Customers	242,021	238,276	241,634	239,307
Employees [1]				
Regular	573	572	579	572
Temporary	66	75	72	72
Total	639	647	651	644

[1] Refers to full time equivalents.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY AREA
For The Periods Ended September 30

	SAIFI					SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR	QUARTER		12 MONTH TO DATE		5 YEAR
AREA	2010 #	2009 #	2010 #	2009 #	TO DATE # / YEAR	2010 HOURS	2009 HOURS	2010 HOURS	2009 HOURS	TO DATE HRS. / YEAR
St. John's	1.59	0.59	3.12	2.12	4.45	10.67	0.22	12.46	2.01	13.24
Avalon	0.89	0.36	2.25	1.72	3.39	6.62	0.38	8.09	1.85	9.79
Burin	0.99	1.24	4.17	4.42	6.76	1.89	1.00	5.61	4.72	9.08
Bonavista	2.99	0.75	5.20	2.96	6.58	29.10	0.90	32.12	3.92	33.96
Gander	2.40	1.15	2.60	3.85	6.87	9.54	1.07	12.37	3.90	16.65
Grand Falls	1.03	0.45	4.19	3.61	3.54	1.03	0.53	4.40	3.90	5.01
Corner Brook	0.82	0.33	2.07	1.58	3.55	1.96	0.12	3.67	1.83	4.80
Stephenville	1.62	0.89	4.54	3.81	6.73	7.83	0.93	9.70	2.80	14.50
Company Totals	**1.04**	**0.63**	**2.97**	**2.57**	**2.83**	**8.96**	**0.46**	**13.98**	**2.60**	**12.27**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended September 30

ORIGIN	SAIFI				
	QUARTER		12 MONTH TO DATE		5 YEAR TO DATE # / YEAR
	2010 #	2009 #	2010 #	2009 #	
Loss of Supply (NF Hydro)	0.12	0.15	0.34	0.30	0.24
Transmission	0.27	0.27	0.88	0.72	0.76
Distribution	0.65	0.21	1.75	1.55	1.83
Company Totals	**1.04**	**0.63**	**2.97**	**2.57**	**2.83**

System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended September 30

ORIGIN	SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR TO DATE HRS. / YEAR
	2010 HOURS	2009 HOURS	2010 HOURS	2009 HOURS	
Loss of Supply (NF Hydro)	0.31	0.01	0.42	0.08	0.37
Transmission	2.63	0.15	4.60	0.51	3.46
Distribution	6.02	0.30	8.96	2.01	8.44
Company Totals	**8.96**	**0.46**	**13.98**	**2.60**	**12.27**

System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BREAKDOWN REPORT
Third Quarter 2010

AREA	SCHEDULED		UNSCHEDULED		TOTAL	
	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS
St. John's	0.06	0.10	1.53	10.57	1.59	10.67
Avalon	0.01	0.02	0.88	6.60	0.89	6.62
Burin	0.18	0.57	0.81	1.32	0.99	1.89
Bonavista	0.22	0.29	2.77	28.81	2.99	29.10
Gander	0.27	0.86	2.13	8.68	2.40	9.54
Grand Falls	0.05	0.14	0.98	0.89	1.03	1.03
Corner Brook	0.17	0.51	0.65	1.45	0.82	1.96
Stephenville	0.06	0.03	1.56	7.80	1.62	7.83
Company Totals	**0.09**	**0.22**	**0.95**	**8.74**	**1.04**	**8.96**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.

CAPITAL EXPENDITURE PROGRESS REPORT

For the Period Ended September 30, 2010

Introduction

The Capital Expenditure Progress Report summarizes the capital expenditures of the various capital accounts of the Company and lists any new lease obligations in excess of $5,000 per year.

The report contains three sections:

1. The Budget section outlines the annual capital expenditure budget approved by the Public Utilities Board for the current year.

2. The Expenditure section outlines actual capital expenditures for the current quarter and year to date, and indicates the balance of the annual capital budget remaining to be expended (difference between annual budget and year to date actual).

3. The Leasing Arrangement section includes a brief description of the item being leased, the leasing period, and the annual and quarterly leasing costs.

NEWFOUNDLAND POWER INC.
CAPITAL EXPENDITURE PROGRESS REPORT
For the Period Ended September 30, 2010
($000s)

	BUDGET	EXPENDITURE [1]		
	Approved by Order No. P.U. 41(2009) and P.U. 17(2010)	Third Quarter	Year To Date	Unexpended Balance
Generation Hydro	5,279	1,909	3,168	2,111
Generation Thermal	150	117	147	3
Substations	10,218	2,976	6,101	4,117
Transmission	5,915	1,370	1,834	4,081
Distribution	31,965	9,177	27,991	3,974
General Property	1,381	548	900	481
Transportation	2,352	81	2,120	232
Telecommunications	379	26	95	284
Information Systems	3,490	666	2,486	1,004
Unforeseen Items [2]	4,950	1,101	4,471	479
General Expenses Capital	2,800	632	2,551	249
TOTAL	68,879	18,603	51,864	17,015

Leasing Arrangements Entered Into

Brief Description	Period	Annual Cost	Quarterly Payments
	There were no lease obligations entered into during the third quarter of 2010 that exceed $5,000 annually.		

[1] Excludes capital expenditures of approximately $607,000 related to prior years capital projects carried forward into 2010.

[2] The Budget for Unforeseen Items includes capital expenditures of $4.2 million related to the March 2010 ice storm. These capital expenditures were approved in Order P.U. 17(2010). Actual expenditures includes $3.8 million for the March 2010 ice storm and $0.7 million related to Hurricane Igor.

NEWFOUNDLAND POWER INC.

INTER-COMPANY TRANSACTIONS REPORT

For the Period Ended September 30, 2010

Introduction

The Inter-Company Transactions Report summarizes transactions between the Company and related corporations on a quarterly and year-to-date basis. The report itemizes the charges by type and distinguishes between regulated and non-regulated charges. The report also documents any contracts, agreements or loans between Newfoundland Power and any related corporation that were signed in the current quarter.

The report is divided into four sections as follows:

1. The first section aggregates charges from all related corporations and presents a summary, by charge type, for the current quarter and year-to-date with comparable data for the same period last year, as well as annual charges for the previous year.

2. The second section breaks down the charges ***from*** each individual associated corporation and presents an itemized quarterly summary for the current year and year-to-date with comparable data for the same period last year, as well as annual charges for the previous year.

3. The third section breaks down the charges ***to*** each individual associated corporation and presents an itemized quarterly summary for the current year and year-to-date with comparable data for the same period last year, as well as annual charges for the previous year.

4. The fourth section lists any contracts or agreements that were signed between the Company and any related corporation as well as any loans with related corporations. Loan information provided includes the amount of the loan, the date of borrowing and date of repayment, the interest rate, and total interest paid.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Summary of Charges
For The Period Ended September 30, 2010

Charges from Associated Companies

Regulated Charges	Third Quarter 2010	Third Quarter 2009	Year To Date 2010	Year To Date 2009	Annual 2009
Trustee & Share Plan Costs	$ 12,000	$ 10,000	$ 36,000	$ 30,000	$ 42,000
Hotel/Banquet Facilities	4,065	2,459	15,733	11,084	25,627
Staff Charges	-	-	46,199	12,000	12,000
Joint-use Pole Purchases	-	168	3,930	2,532	2,532
Miscellaneous	6,001	14,210	35,009	58,405	65,982
Sub-total	$ 22,066	$ 26,837	$ 136,871	$ 114,021	$ 148,141

Non-Regulated Charges	Third Quarter 2010	Third Quarter 2009	Year To Date 2010	Year To Date 2009	Annual 2009
Directors' Fees & Travel	$ 57,000	$ 43,000	$ 171,000	$ 129,000	$ 226,000
Annual & Quarterly Reports	30,000	28,000	90,000	84,000	91,000
Hotel/Banquet Facilities	-	-	2,416	-	-
Staff Charges	65,000	50,000	195,000	150,000	71,000
Miscellaneous	85,000	61,000	658,877	582,521	695,521
Sub-total	$ 237,000	$ 182,000	$ 1,117,293	$ 945,521	$ 1,083,521
TOTAL	$ 259,066	$ 208,837	$ 1,254,164	$ 1,059,542	$ 1,231,662

Charges to Associated Companies

	Third Quarter 2010	Third Quarter 2009	Year To Date 2010	Year To Date 2009	Annual 2009
Printing & Stationery	$ 53	$ 308	$ 224	$ 810	$ 843
Postage	4,936	4,419	16,576	15,776	20,689
Staff Charges	101,800	122,977	512,912	375,707	531,450
Staff Charges - Insurance	39,012	37,187	179,395	180,855	244,753
IS Charges	-	-	-	-	22,022
Pole Installations	3,066	4,190	20,869	12,086	23,599
Miscellaneous	15,335	21,365	25,855	35,737	41,697
TOTAL	$ 164,202	$ 190,446	$ 755,831	$ 620,971	$ 885,053

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended Septemebr 30, 2010

	Third Quarter 2010			Third Quarter 2009		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.						
Directors' Fees & Travel	$ -	$ 57,000	$ 57,000	$ -	$ 43,000	$ 43,000
Annual & Quarterly Reports	-	30,000	30,000	-	28,000	28,000
Trustee & Share Plan Costs	12,000	-	12,000	10,000	-	10,000
Staff Charges	-	65,000	65,000	-	50,000	50,000
Joint-use Pole Purchases	-	-	-	168	-	168
Miscellaneous	1,100	85,000	86,100	3,750	61,000	64,750
Total	$ 13,100	$ 237,000	$ 250,100	$ 13,918	$ 182,000	$ 195,918
Fortis Properties Corporation						
Hotel/Banquet Facilities	$ 4,065	$ -	$ 4,065	$ 2,459	$ -	$ 2,459
Total	$ 4,065	$ -	$ 4,065	$ 2,459	$ -	$ 2,459
Maritime Electric Co. Ltd.						
Miscellaneous	$ 1,458	$ -	$ 1,458	$ 1,538	$ -	$ 1,538
Total	$ 1,458	$ -	$ 1,458	$ 1,538	$ -	$ 1,538
FortisBC Inc.						
Miscellaneous	$ 3,443	$ -	$ 3,443	$ 8,922	$ -	$ 8,922
Total	$ 3,443	$ -	$ 3,443	$ 8,922	$ -	$ 8,922

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended September 30, 2010

	Year To Date 2010			Year To Date 2009			Annual 2009		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.									
Directors' Fees and Travel	$ -	$ 171,000	$ 171,000	$ -	$ 129,000	$ 129,000	$ -	$ 226,000	$ 226,000
Annual & Quarterly Reports	-	90,000	90,000	-	84,000	84,000	-	91,000	91,000
Trustee & Share Plan Costs	36,000	-	36,000	30,000	-	30,000	42,000	-	42,000
Staff Charges	-	195,000	195,000	-	150,000	150,000	-	71,000	71,000
Joint-use Pole Purchases	3,930	-	3,930	2,532	-	2,532	2,532	-	2,532
Miscellaneous	8,964	658,877	667,841	32,290	582,521	614,811	35,862	695,521	731,383
Total	$ 48,894	$ 1,114,877	$ 1,163,771	$ 64,822	$ 945,521	$ 1,010,343	$ 80,394	$ 1,083,521	$ 1,163,915
Fortis Properties Corporation									
Staff Charges	$ -	$ -	$ -	$ 12,000	$ -	$ 12,000	$ 12,000	$ -	$ 12,000
Hotel/Banquet Facilities	15,733	2,416	18,149	11,084	-	11,084	25,627	-	25,627
Miscellaneous	11,814	-	11,814	3,178	-	3,178	4,681	-	4,681
Total	$ 27,547	$ 2,416	$ 29,963	$ 26,262	$ -	$ 26,262	$ 42,308	$ -	$ 42,308
Maritime Electric Co. Ltd.									
Staff Charges	$ 46,199	$ -	$ 46,199	$ -	$ -	$ -	$ -	$ -	$ -
Miscellaneous	4,372	-	4,372	6,744	-	6,744	8,977	-	8,977
Total	$ 50,571	$ -	$ 50,571	$ 6,744	$ -	$ 6,744	$ 8,977	$ -	$ 8,977
FortisBC Inc.									
Miscellaneous	$ 9,859	$ -	$ 9,859	$ 16,193	$ -	$ 16,193	$ 16,462	$ -	$ 16,462
Total	$ 9,859	$ -	$ 9,859	$ 16,193	$ -	$ 16,193	$ 16,462	$ -	$ 16,462

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended September 30, 2010

	Third Quarter 2010	Third Quarter 2009	Year To Date 2010	Year To Date 2009	Annual 2009
Fortis Inc.					
Printing & Stationery	$ -	$ 69	$ -	$ 129	$ 129
Postage	4,936	4,419	16,576	15,776	20,689
Staff Charges	79,603	75,165	443,779	215,507	327,534
Staff Charges - Insurance	32,945	24,349	147,201	147,403	173,887
IS Charges	-	-	-	-	277
Pole Installations	3,066	4,190	20,869	12,086	23,599
Miscellaneous	1,833	4,375	3,358	8,222	11,969
Total	$ 122,383	$ 112,567	$ 631,783	$ 399,123	$ 558,084
Fortis Properties Corporation					
Printing & Stationery	$ 53	$ 239	$ 224	$ 681	$ 714
Staff Charges	-	-	1,247	-	-
Staff Charges - Insurance	5,337	1,668	17,693	11,733	13,517
IS Charges	-	-	-	-	4,432
Miscellaneous	790	840	9,745	2,691	4,691
Total	$ 6,180	$ 2,747	$ 28,909	$ 15,105	$ 23,354
Maritime Electric Co. Ltd.					
Staff Charges	$ -	$ -	$ 1,743	$ 1,141	$ 1,932
Staff Charges - Insurance	139	726	977	1,345	1,488
IS Charges	-	-	-	-	2,424
Miscellaneous	580	600	580	701	701
Total	$ 719	$ 1,326	$ 3,300	$ 3,187	$ 6,545
FortisOntario Inc.					
Staff Charges - Insurance	$ 90	$ 5,044	$ 3,701	$ 8,224	$ 17,688
IS Charges	-	-	-	-	2,424
Miscellaneous	360	270	360	273	273
Total	$ 450	$ 5,314	$ 4,061	$ 8,497	$ 20,385
Belize Electric Company Limited					
Staff Charges	$ 10,906	$ 29,893	$ 27,565	$ 67,171	$ 86,581
Staff Charges - Insurance	-	756	-	1,782	8,743
Total	$ 10,906	$ 30,649	$ 27,565	$ 68,953	$ 95,324

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended September 30, 2010

	Third Quarter 2010	Third Quarter 2009	Year To Date 2010	Year To Date 2009	Annual 2009
Belize Electricity Limited					
Staff Charges	$ 995	$ 392	$ 2,935	$ 1,281	$ 11,424
Staff Charges - Insurance	-	162	1,890	2,538	8,436
IS Charges	-	-	-	-	4,155
Miscellaneous	93	3,150	133	4,756	4,863
Total	$ 1,088	$ 3,704	$ 4,958	$ 8,575	$ 28,878
FortisAlberta Inc.					
Staff Charges - Insurance	$ -	$ 2,214	$ 378	$ 2,646	$ 3,456
Miscellaneous	2,990	2,890	2,990	3,441	3,441
Total	$ 2,990	$ 5,104	$ 3,368	$ 6,087	$ 6,897
FortisBC Inc.					
Staff Charges - Insurance	$ 123	$ 810	$ 967	$ 1,026	$ 1,620
IS Charges	-	-	-	-	8,310
Miscellaneous	1,910	2,067	1,910	2,292	2,203
Total	$ 2,033	$ 2,877	$ 2,877	$ 3,318	$ 12,133
Terasen Gas Inc.					
Staff Charges - Insurance	$ 162	$ 918	$ 540	$ 918	$ 1,296
Miscellaneous	6,204	5,875	6,204	6,295	6,425
Total	$ 6,366	$ 6,793	$ 6,744	$ 7,213	$ 7,721
Caribbean Utilities Co. Limited					
Staff Charges	$ -	$ -	$ -	$ 888	$ 888
Staff Charges - Insurance	216	324	2,484	594	6,837
Miscellaneous	-	-	-	101	101
Total	$ 216	$ 324	$ 2,484	$ 1,583	$ 7,826
Fortis Turks and Caicos					
Staff Charges	$ 10,296	$ 17,527	$ 35,643	$ 89,719	$ 103,091
Staff Charges - Insurance	-	216	3,564	2,646	7,785
Miscellaneous	575	1,298	575	6,965	7,030
Total	$ 10,871	$ 19,041	$ 39,782	$ 99,330	$ 117,906

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Agreements With Associated Companies
For the Period Ended September 30, 2010

Company Name	Amount	Date Borrowed	Date Repaid	Interest Rate	Interest

No loans or agreements with related companies were entered into during the quarter ending September 30, 2010.

NEWFOUNDLAND POWER INC.

CUSTOMER PROPERTY DAMAGE CLAIMS REPORT

For the Quarter Ending September 30, 2010

Introduction

The Customer Property Damage Claims Report contains an overview of all damage claims activity summarized on a quarterly basis. The information contained in the report is broken down by cause as well as by the operating region where the claims originated.

The report is divided into four sections as follows:

1. The first section indicates the number of claims received during the quarter coupled with claims outstanding from the previous quarter.

2. The second section shows the number of claims for which the Company has accepted responsibility and the amount paid to claimants versus the amount originally claimed.

3. The third section shows the number of claims rejected and the dollar value associated with those claims.

4. The fourth section indicates those claims that remain outstanding at the end of the current quarter and the dollar value associated with such claims.

Overview - Third Quarter

The total number of damage claims received during the third quarter of 2010 is comparable to the number of claims received during the same period in 2009.

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Cause

For the Quarter Ending September 30, 2010

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	-	2	2	-	$ -	$ -	-	$ -	2	$ 1,700
Power Interruptions	3	-	3	1	300	300	-	-	2	2,700
Improper Workmanship	9	5	14	8	15,931	13,188	-	-	6	19,900
Weather Related	-	1	1	-	-	-	-	-	1	5,000
Equipment Failure	13	14	27	17	22,311	16,027	-	-	10	6,900
Third Party	1	1	2	-	-	-	1	600	1	500
Miscellaneous	18	4	22	18	12,114	7,914	1	700	3	1,650
Total	**44**	**27**	**71**	**44**	**$ 50,656**	**$ 37,429**	**2**	**$ 1,300**	**25**	**$ 38,350**

For the Quarter Ending September 30, 2009

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	1	1	2	1	$ 440	$ 257	-	$ -	1	$ 1,000
Power Interruptions	-	-	-	-	-	-	-	-	-	-
Improper Workmanship	6	1	7	6	7,896	6,374	-	-	1	5,000
Weather Related	1	-	1	-	-	-	1	500	-	-
Equipment Failure	20	9	29	21	25,802	19,716	-	-	8	36,415
Third Party	-	-	-	-	-	-	-	-	-	-
Miscellaneous	15	5	20	14	11,038	9,531	1	10,000	5	41,497
Total	**43**	**16**	**59**	**42**	**$ 45,176**	**$ 35,878**	**2**	**$ 10,500**	**15**	**$ 83,912**

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Region

For the Quarter Ending September 30, 2010

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	28	19	47	25	$ 31,044	$ 21,187	2	$ 1,300	20	$ 35,950
Western Region	16	8	24	19	19,612	16,242	-	-	5	2,400
Total	**44**	**27**	**71**	**44**	**$ 50,656**	**$ 37,429**	**2**	**$ 1,300**	**25**	**$ 38,350**

For the Quarter Ending September 30, 2009

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	26	14	40	27	$ 26,729	$ 20,896	1	$ 500	12	$ 80,812
Western Region	17	2	19	15	18,447	14,982	1	10,000	3	3,100
Total	**43**	**16**	**59**	**42**	**$ 45,176**	**$ 35,878**	**2**	**$ 10,500**	**15**	**$ 83,912**

Definitions of Causes of Damage Claims

1. **System Operations:** Claims arising from system operations. Examples include normal reclosing or switching.

2. **Power Interruptions:** Claims arising from interruption of power supply. Examples include all scheduled or unscheduled interruptions.

3. **Improper Workmanship:** Claims arising from failure of electrical equipment caused by improper workmanship or methods. Examples include improper crimping of connections, insufficient sealing and taping of connections, improper maintenance, inadequate clearance, or improper operation of equipment.

4. **Weather Related:** Claims arising from weather conditions. Examples include wind, rain, ice, lightning, or corrosion caused by weather.

5. **Equipment Failure:** Claims arising from failure of electrical equipment not caused by improper workmanship. Examples include broken neutrals, broken tie wires, transformer failure, insulator failure or broken service wire.

6. **Third Party:** Claims arising from equipment failure caused by acts of third parties. Examples include motor vehicle accidents and vandalism.

7. **Miscellaneous:** All claims not related to electrical service.

NEWFOUNDLAND POWER INC.

CONTRIBUTION IN AID OF CONSTRUCTION
QUARTERLY ACTIVITY REPORT

For the Quarter Ending September 30, 2010

The table below summarizes Contribution In Aid of Construction (CIAC) activity for the third quarter of 2010. The table is divided into three sections. The first section identifies the type of service for which a CIAC has been calculated. Services are categorized as Domestic (located within a Residential Planning Area), Domestic (located outside a Residential Planning Area) or General Service.

The second section indicates the number of CIACs quoted during the quarter as well as the number of CIAC quotes that remained outstanding at the end of the previous quarter. This format facilitates a reconciliation of the total number of CIACs that were active during the quarter.

The third section provides information as to the disposition of the total CIACs quoted. A CIAC is considered Accepted when a customer indicates they wish to proceed with construction of the extension and has agreed to pay any charge that may be applicable. A CIAC is considered Outdated after six months has elapsed and the customer has not indicated their intention to proceed with the extension. A quoted CIAC is Outstanding if it is neither Accepted nor Outdated.

Type of Service	CIACs Quoted	CIACs Outstanding Previous Qtr.	Total CIACs Quoted	CIACs Accepted	CIACs Outdated	Total CIACs Outstanding
Domestic						
- Within Planning Area	25	12	37	21	5	11
- Outside Planning Area	56	28	84	42	11	31
	81	40	121	63	16	42
General Service	7	11	18	6	5	7
Total	88	51	139	69	21	49

The table on pages 2 to 4 of the report provides specific information for the 88 CIACs quoted to customers during the period July 1, 2010 to September 30, 2010. Both the CIAC amounts quoted and the Estimated Construction Costs exclude HST.

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Third Quarter 2010

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (within Residential Planning Area)				
5-Jul-10	2010-20-165	1,640.00	4,790.00	Yes
8-Jul-10	2010-20-168	2,810.00	5,360.00	Yes
13-Jul-10	2010-20-161	5,535.00	8,085.00	
13-Jul-10	2010-20-169	15,362.36	17,912.36	
15-Jul-10	2010-31-107	1,470.00	4,620.00	Yes
19-Jul-10	2010-20-172	1,230.00	3,780.00	Yes
22-Jul-10	2010-20-179	600.00	3,510.00	Yes
22-Jul-10	2010-51-119	4,220.00	6,770.00	Yes
23-Jul-10	2010-41-107	890.00	3,440.00	Yes
26-Jul-10	2010-30-112	762.50	3,212.50	Yes
26-Jul-10	2010-51-121	3,290.00	5,840.00	Yes
28-Jul-10	2010-20-167	10,100.00	12,650.00	
10-Aug-10	2010-20-181	150.00	2,700.00	Yes
18-Aug-10	2010-51-123	3,010.00	5,560.00	Yes
20-Aug-10	2010-20-187	1,920.00	4,470.00	Yes
25-Aug-10	2010-40-120	3,800.00	6,350.00	
26-Aug-10	2010-20-191	450.00	3,000.00	Yes
1-Sep-10	2010-41-108	6,397.50	8,947.50	Yes
8-Sep-10	2010-20-197	4,760.00	7,310.00	Yes
8-Sep-10	2010-41-109	366.40	2,916.40	
14-Sep-10	2010-20-207	690.00	3,240.00	Yes
15-Sep-10	2010-10-154	1,590.00	4,740.00	Yes
20-Sep-10	2009-30-112	1,750.00	4,375.00	
29-Sep-10	2010-51-124	17,480.00	17,480.00	
30-Sep-10	2010-40-128	5,427.75	7,977.75	
DOMESTIC (outside Residential Planning Area)				
2-Jul-10	2010-20-155	3,260.00	4,010.00	Yes
2-Jul-10	2010-20-156	869.83	1,725.67	
5-Jul-10	2010-20-163	2,755.20	3,505.20	Yes
5-Jul-10	2010-20-164	2,102.30	2,852.30	Yes
7-Jul-10	2010-31-106	5,489.58	6,239.58	Yes
8-Jul-10	2010-20-170	2,102.30	2,852.30	Yes
8-Jul-10	2010-20-171	2,102.30	2,852.30	Yes
13-Jul-10	2010-20-166	1,380.00	2,580.00	Yes
16-Jul-10	2010-10-146	3,879.35	4,629.35	Yes
19-Jul-10	2010-10-144	390.00	1,140.00	Yes
19-Jul-10	2010-20-162	14,935.00	15,685.00	
22-Jul-10	2010-20-174	210.00	1,320.00	Yes
22-Jul-10	2010-20-175	2,102.30	2,852.30	Yes
22-Jul-10	2010-20-176	2,755.20	3,505.20	Yes

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Third Quarter 2010

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (outside Residential Planning Area)				
22-Jul-10	2010-20-177	2,755.20	3,505.20	Yes
22-Jul-10	2010-20-178	3,106.34	3,856.34	Yes
22-Jul-10	2010-51-117	2,227.78	2,977.78	Yes
22-Jul-10	2010-51-120	2,227.78	2,977.78	
27-Jul-10	2010-31-110	2,189.73	2,939.73	Yes
27-Jul-10	2010-50-116	2,961.54	3,711.54	
4-Aug-10	2010-20-180	2,102.30	2,852.30	Yes
4-Aug-10	2010-30-113	19,305.00	20,055.00	Yes
10-Aug-10	2010-20-182	2,102.30	2,852.30	Yes
10-Aug-10	2010-20-183	2,755.20	3,505.20	Yes
12-Aug-10	2010-50-117	330.00	1,530.00	Yes
18-Aug-10	2010-51-122	12,140.00	25,340.00	
20-Aug-10	2010-50-118	1,050.00	1,800.00	
20-Aug-10	2010-50-119	570.00	1,320.00	Yes
24-Aug-10	2010-20-189	2,755.20	3,505.20	Yes
26-Aug-10	2010-20-185	2,755.20	3,505.20	Yes
26-Aug-10	2010-20-186	2,755.20	3,505.20	Yes
26-Aug-10	2010-20-188	2,102.30	2,852.30	
26-Aug-10	2010-20-190	420.00	1,530.00	Yes
26-Aug-10	2010-20-192	2,102.30	2,852.30	Yes
27-Aug-10	2010-40-124	4,506.79	5,149.79	Yes
30-Aug-10	2010-30-115	$4,331.29	$5,081.29	
1-Sep-10	2010-20-196	$3,106.34	$3,856.34	
8-Sep-10	2010-20-198	4,170.21	4,920.21	
8-Sep-10	2010-20-199	2,807.82	3,557.82	Yes
8-Sep-10	2010-20-200	330.00	1,440.00	Yes
8-Sep-10	2010-20-204	37,070.00	53,120.00	
8-Sep-10	2010-40-116	21,682.75	30,682.75	Yes
10-Sep-10	2010-20-206	1,090.50	1,840.50	Yes
15-Sep-10	2010-10-151	5,032.00	5,782.00	Yes
15-Sep-10	2010-10-152	2,289.94	3,039.94	
15-Sep-10	2010-10-157	3,628.89	4,378.89	
16-Sep-10	2010-50-121	420.00	1,620.00	Yes
20-Sep-10	2010-20-205	55,447.50	77,497.50	
20-Sep-10	2010-20-209	4,170.21	4,920.21	Yes
20-Sep-10	2010-20-210	4,170.21	4,920.21	
20-Sep-10	2010-20-212	2,755.20	3,505.20	Yes
23-Sep-10	2010-50-122	2,961.54	3,711.54	
30-Sep-10	2010-40-125	136,619.50	169,886.50	
30-Sep-10	2010-40-126	2,641.89	3,391.89	Yes
30-Sep-10	2010-40-127	2,918.10	3,585.00	
30-Sep-10	2010-51-125	14,560.00	18,910.00	

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Third Quarter 2010

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
GENERAL SERVICE				
15-Jul-10	2010-30-111	6,579.00	6,579.00	Yes
20-Jul-10	2010-40-119	1,560.00	4,110.00	Yes
22-Jul-10	2010-20-173	2,880.00	5,430.00	Yes
24-Aug-10	2010-31-109	11,925.00	11,925.00	Yes
1-Sep-10	2010-20-184	45,265.00	47,815.00	
14-Sep-10	2010-30-116	1,290.00	3,840.00	Yes
20-Sep-10	2010-10-158	2,500.00	8,545.00	

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
P.O. Box 8910
St. John's, NL A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

February 11, 2011

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

Enclosed are eleven copies of Newfoundland Power Inc.'s Quarterly Regulatory Report for the quarter ending December 31, 2010.

The report is divided into five sections: Quarterly Summary; Capital Expenditure Progress; Inter-Company Transactions; Customer Property Damage Claims; and Contribution In Aid of Construction Activity.

If you have any questions on the enclosed, please contact the undersigned at the direct number noted below.

Yours very truly,

Gerard M. Hayes
Senior Counsel

Enclosures

c. Geoffrey P. Young
Newfoundland & Labrador Hydro

Quarterly Regulatory Report

For The Period Ended

December 31, 2010

QUARTERLY REGULATORY REPORT

FOR THE PERIOD ENDED

December 31, 2010

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1. Highlights

Highlights	4th Quarter			Annual	
	Actual 2010	Plan 2010	Actual 2009	Actual 2010	Plan 2010
Customer Satisfaction (%)	89	89	90	89	89
Electricity Delivery [1]					
Electricity Sales (GWh)	1,488.2	1,451.2	1,473.9	5,419.0	5,349.9
Peak Demand (MW) [2]	1,237.4	1,253.8	1,237.1	1,237.4	1,253.8
Customer Minutes of Outage [3]	12.1	10.3	12.3	194.1	36.6
Injury Frequency Rate [4]	1.9	1.8	1.2	1.9	1.8
Revenue ($millions)	151.5	147.2	146.5	554.9	547.0
Earnings ($millions) [5]	9.2	8.2	8.6	35.0	34.0

- Customer satisfaction remains strong and is consistent with plan.
- 4th quarter and annual electricity sales higher than plan and 2009.
- 4th quarter system reliability performance slightly below plan; annual performance affected by storms.
- Safety performance consistent with plan.
- Annual capital expenditures of $73.6 million exceeded plan by $3.0 million.
- 4th quarter and annual earnings exceeded plan.
- PUB approved 2011 capital budget of $73.0 million.
- Operation of automatic adjustment formula results in 8.38% return on equity for 2011.
- PUB approved a change in accounting for, and recovery of, Other Post Employment Benefit costs commencing in 2011.
- New Joint Use Support Structure Agreement signed with Bell Aliant.

[1] Weather adjusted.
[2] Peak demand for the 2009/2010 winter period occurred on February 3rd, 2010 at 7:45 a.m.
[3] In millions of minutes, excluding Hydro related interruptions.
[4] Injuries per 200,000 hours worked.
[5] Earnings applicable to common shares.

2. Customer Service

Customer Service Performance	Annual (%)		
	Actual 2010	Plan 2010	Actual 2009
Customer Satisfaction	89	89	90
First Call Resolution [1]	88	88	88
Service Level [2]	78	80	76 [4]
Trouble Call Response [3]	83	85	91

[1] % of customer calls resolved on first contact.
[2] % of customer calls answered within 60 seconds.
[3] % of trouble call response within two hours.
[4] % of customer calls answered within 40 seconds.

Customer Service Performance

Customer satisfaction and first call resolution continued to track on plan, at 89% and 88% respectively. The Customer Contact Centre service level and trouble call response tracked slightly below plan.

Customer Service Improvements

Newfoundland Power provides a range of electronic service options that allow customers to interact with the Company at their convenience 24 hours a day, while improving the Company's operational efficiency. Customers' use of these electronic means of communicating with the Company continues to increase, reaching over 2.6 million interactions in 2010.

Electronic Interactions with Customers	2010	3-Year Increase
eLetters	31,527	New in 2009
eBills	35,071	86%
email	39,729	68%
website	462,640	18%
ePayments	2,055,183	16%
Total	**2,624,150**	**19%**

Energy Conservation

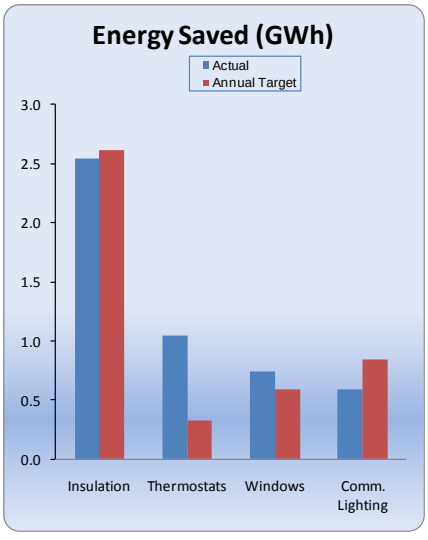
During 2009 and 2010, over 5,500 Newfoundland Power customers participated in one or more of the *takeCHARGE!* rebate programs. This resulted in 5.0 GWh of energy savings, which was 0.6 GWh above the target for 2010.

The promotion of the *takeCHARGE!* programs by larger retailers, such as Kent, RONA, and Home Depot, has been an important factor particularly in urban areas. For example, a double rebate event held at the St. John's Costco in November resulted in over 1,000 thermostats being sold.

Our mass media and retail advertising campaign continued throughout the year. Customers were exposed to *takeCHARGE!* through advertising, media events, presentations and retail displays. In addition to the traditional methods of promotion, *takeCHARGE!* entered the social media scene, launching a Facebook page which has drawn over 650 fans.

Together with Newfoundland and Labrador Hydro (Hydro), the Company held Energy Efficiency Week from October 2nd to 8th. The *takeCHARGE!* team hosted energy efficiency events throughout the week to support sales of energy efficient products and to provide energy efficiency tips and details on *takeCHARGE!* Energy Savers Rebates. The *takeCHARGE! of Your Town Challenge* was launched as part of Energy Efficiency Week, at the 2010 Municipalities Newfoundland and Labrador Annual Convention.

Energy Efficiency Week "takeCHARGE! of Your Town Challenge" launch. Mayors across the province were eager to jump on board!



Additional *takeCHARGE!* outreach events during the quarter included Lewisporte, Springdale, and Clarenville trade shows, Christmas in the Exploits, tree lightings, mall displays and retailer displays. The *takeCHARGE!* team made presentations to organizations representing seniors, and the retail, real estate and home construction industries, as well as the Canadian Armed Forces.

More than 52,000 visitors used the *takeCHARGE!* website throughout the year, a 4.6% increase over 2009. Energy Efficiency Week promotions had a significant impact on *takeCHARGE!* website activity. Weekly visits to the website increased from about 3,800 in September to 6,700 in October.

3. System Performance

A. Reliability

System Reliability [1]	Annual		
	Actual [2] 2010	Plan 2010	Actual 2009
Customer Minutes of Outage [3]	194.1	36.6	35.0
SAIDI (Outage hours per customer)	13.82	2.62	2.53
SAIFI (Outages per customer)	2.69	2.15	1.99

[1] Excludes Hydro-related interruptions.
[2] System reliability statistics excluding storms are:
- Customer Minutes of Outage 36.4
- SAIDI 2.59
- SAIFI 1.52

[3] In millions of minutes.

System reliability performance in the 4th quarter was slightly below plan. Excluding the impact of major storms earlier in 2010, annual reliability measures were broadly consistent with plan and 2009 performance.

Significant unplanned power interruptions during the 4th quarter were:

Oct 19th: A broken insulator on GAL-04 caused an outage to 1,307 customers in the West Street area of Stephenville and resulted in 237,874 customer minutes of outage.

Nov 11th: A broken insulator on MOL-06 caused an outage to 1,348 customers in the Waterford Bridge Road area of St. John's and resulted in 241,292 customer minutes of outage.

Dec 21st: High winds blew trees across the line on GLV-02 causing an outage to 948 customers in the Eastport area which resulted in 835,188 customer minutes of outage.

Dec 27th: A broken conductor caused an outage to 1,609 customers in the Codroy Valley area and resulted in 391,882 customer minutes of outage.

Dec 27th: High winds caused an outage to 1,677 customers in the Old Perlican area and resulted in 446,082 customer minutes of outage.

B. Electricity Supply

Electricity Supply	4th Quarter			Annual	
	Actual 2010	Plan 2010	Actual 2009	Actual 2010	Plan 2010
Energy Purchased (GWh) [1]	1,456.8	1,424.9	1,443.5	5,308.3	5,238.8
Peak Demand (MW) [1, 2]	1,237.4	1,253.8	1,237.1	1,237.4	1,253.8
Hydro Plant Production (GWh)	121.9	112.7	132.9	462.2	428.8
Plant Availability (%)	99.2	96.0	96.8	96.8	96.0

[1] Weather adjusted.
[2] Peak demand for the 2009/2010 winter period occurred on February 3rd, 2010 at 7:45 a.m.

Energy purchased was 31.9 GWh higher than plan for the quarter and 69.5 GWh higher than plan for the year. This reflects higher than expected energy sales.

During the 4th quarter, hydro plant production was 9.2 GWh higher than plan and 11 GWh lower than the same period of 2009. Total water inflows for the 4th quarter were 142 GWh, compared to a normal inflow of 118.2 GWh. Higher water inflows were largely due to the significant precipitation experienced across the island in December. For example, St. John's received 327 mm of precipitation in December 2010, compared to the normal amount of 148.8 mm.[1]

Hydro plant availability was higher than plan during the 4th quarter and on an annual basis.

There were 52 forced outages in the 4th quarter, compared to 53 experienced in same period of 2009. The total number of forced outages in 2010 was 214, compared to 168 in 2009 and 255 in 2008.

Mobile River Watershed

On November 12th, 2010, the Trial Division of the Supreme Court of Newfoundland and Labrador dismissed the City of St. John's (the "City") application to set aside the ruling of the arbitration panel regarding the Mobile River watershed lease agreement. On December 10th, 2010, the City appealed the Court's decision to the Newfoundland and Labrador Court of Appeal.

[1] Source: Environment Canada – normal is based on the period from 1971 to 2000.

4. Financial Matters

	4th Quarter			Annual	
	Actual 2010	Plan 2010	Actual 2009	Actual 2010	Plan 2010
Electricity Sales (GWh)	1,488.2	1,451.2	1,473.9	5,419.0	5,349.9
Revenue ($millions)	151.5	147.2	146.5	554.9	547.0
Purchased Power Costs ($millions)	102.3	97.9	99.3	358.4	351.0
Operating Costs ($millions) [1]	13.5	13.6	12.9	54.6	53.4
Operating Cost per Customer ($)	57	58	55	234	229
Earnings ($millions) [2]	9.2	8.2	8.6	35.0	34.0

[1] Excluding pension and early retirement program costs.
[2] Earnings applicable to common shares.

Financial Results

4th quarter electricity sales were higher than plan and 2009. This sales growth reflects an increase in customer connections and the number of electrically heated homes. Revenue was also higher than plan due to sales growth.

Purchased power costs were also higher than plan, primarily as a result of sales growth and higher water inflows associated with the Company's hydroelectric generating facilities, partially offset by lower electricity system losses.

Operating costs for the 4th quarter were consistent with plan. Annual operating costs and operating cost per customer were higher than plan mainly as a result of costs associated with Hurricane Igor.

Earnings for the quarter and for the year were higher than plan. This reflects higher electricity sales, a lower effective tax rate and lower financing costs, partially offset by higher operating costs, and higher purchased power costs.

The Automatic Adjustment Formula

Operation of the automatic adjustment formula for 2011 reduced Newfoundland Power's allowed rate of return on rate base to 7.96%, with a range of 7.78% to 8.14%. This reflects a rate of return on equity of 8.38%, as compared to 9.0% for 2010.

Other Post Employment Benefits

On December 10, 2010, the PUB approved the Company's proposal relating to the accounting for, and recovery of, Other Post Employment Benefits (OPEBs) costs. Effective January 1, 2011, the Company will (i) adopt the accrual method of accounting for OPEBs costs; (ii) commence recovery of the transitional balance or regulatory asset associated with adoption of accrual accounting, over a 15-year period; and (iii) adopt an OPEBs cost variance deferral account to capture differences between actual annual OPEBs costs and OPEBs costs included in rates.

Customer Rates

Effective January 1st, 2011, electricity rates charged to customers increased by an average of 0.8%. This reflects an increase of approximately $7.5 million in 2011 rate revenue related to adoption of accrual accounting for OPEBs, partially offset by a reduction of approximately $3.4 million in 2011 rate revenue related to operation of the automatic adjustment formula.

Cost Recovery Deferral Application

On November 29th, 2010, the PUB approved Newfoundland Power's request for deferred recovery of $2.4 million in 2011 costs due to expiring regulatory amortizations.

Joint Use Support Structure Agreement

On December 22nd, 2010, Newfoundland Power and Bell Aliant signed an agreement regarding Bell Aliant's purchase of 40% of the Company's joint use poles and related infrastructure at a price of approximately $45.7 million, effective January 1st, 2011. The estimated purchase price will be adjusted upon completion of a pole count survey in 2011. This sale represents approximately 5% of Newfoundland Power's rate base. The agreement is subject to PUB approval and the Company expects to file an application with the PUB in the first quarter of 2011. This transaction is expected to close in 2011.

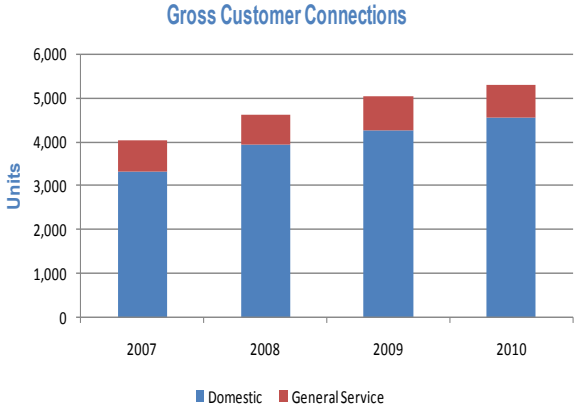
In addition to the joint use support structure sale agreement, the two companies signed agreements regarding arrangements for ongoing joint use of these facilities. As well, Newfoundland Power will provide construction and maintenance services for poles owned by Bell Aliant during the transition in 2011.

5. Capital Program

2010 Capital Expenditures	Annual	
	Actual 2010	Plan 2010 [1]
Total ($millions)	73.6	70.6

[1] Plan includes $297,000 carryover for the feeder to service the Vale construction site at Long Harbour project and $275,000 for Water Street underground civil work. Plan also includes the supplemental capital expenditures of $4,200,000 associated with the March 2010 ice storm in Eastern Newfoundland and $1,900,000 associated with Hurricane Igor. Annual plan excludes $750,000 unused allowance for unforeseen items.

2010 Capital Expenditures



Capital expenditures in 2010 were $73.6 million which was approximately $3.0 million above plan. This increase was primarily due to higher than expected expenditures related to customer growth in the Distribution class. During 2010, there were 5,300 new customer connections. This was a 4.9% increase over 2009 and is 37% higher than the 2010 budget estimate of 3,864.

In 2010, the Company completed two material unforeseen capital projects. On March 5th, a severe ice storm damaged 8 transmission lines on the Avalon and Bonavista Peninsulas, causing outages for over 12,500 customers. On September 26th, high winds and heavy rains associated with Hurricane Igor damaged generating facilities, transmission and distribution lines on the Avalon, Bonavista and Burin Peninsulas. Over 106,000 customers were affected by the resulting outages. Capital projects to repair damage from both of these storms were completed in the 4th quarter.

Major capital projects that were completed in the 4th quarter include:

- Replacement of the Deer Lake and Mobile substation transformers
- Refurbishment of the Lookout Brook plant switchgear, governor, protection and controls systems
- Refurbishment of the Petty Harbour surge tank and replacement of a main valve on generator no. 1
- Replacement of the Seal Cove runner on generator no. 1

2011 Capital Budget

The Company's $73.0 million 2011 capital budget was approved by the PUB on November 15th.

6. Safety

Safety Performance	Annual		
	Actual 2010	Plan 2010	Actual 2009
Injury Frequency Rate [1]	1.9	1.8 [2]	1.2

[1] Injuries per 200,000 hours worked.
[2] Based on a 10% improvement over the three-year average from 2007 to 2009.

Safety Performance

In the 4th quarter, there was one lost-time injury and one medical-aid injury. For the year, the Company recorded a total of five lost-time and six medical-aid injuries. This resulted in an all-injury frequency rate of 1.9. There was a total of 36 calendar days of lost time due to injuries in 2010, compared to 86 days lost in 2009.

There were three recordable vehicle accidents during the 4th quarter. This brings the annual total to 12 compared to 16 in 2009. Seven of the accidents in 2010 occurred while the vehicle was reversing.

OHSD Regulatory Activity

In the 4th quarter, Occupational Health & Safety Division (OHSD) requested and were provided incident reports on two separate public contacts. The first incident occurred on December 2nd at Robin Hood Bay landfill site in St. John's when a dump truck contacted a high voltage line. The second incident occurred on December 15th near Bay Bulls Big Pond in Goulds when a concrete pumping truck contacted a high voltage line. No serious injury resulted from these incidents.

Safety Training Programs

During the 4th quarter, a significant effort was made toward completion of safety training. 134 Power Line Technicians (PLTs) received aerial device and high voltage rubber glove technique refresher training.

Over 100 PLTs received emergency preparedness training. This training reviews the Critical Incident Protocol, rescue from heights procedures, as well as practical exercises in bucket rescue and evacuation, and pole top rescue.

Electrical test equipment training was provided to 56 employees. This is a prerequisite to equipment-specific training, and outlines the process required to become qualified to use electrical test equipment. Training to improve the supervision skills of Lead Hands was provided to 115 employees.

7. Environment

Environment Performance	Annual		
	Actual 2010	Plan 2010	Actual 2009
Number of Spills	86	67	76
Reportable PCB spills [1]	1	2	1
Volume of Oil Spills (Litres)	1,606	900	1,299

[1] PCB spills must be reported if any of the following conditions exist:

- All PCB spills that have a concentration of 50 ppm PCBs or more.
- All PCB spills that exceed the one gram rule.
- All oil spills of equipment in storage / inventory (not in use) that exceed a concentration of 2 ppm PCBs regardless of quantity.

Environment Performance

Both the number and volume of spills increased in 2010 as compared to 2009. Of the 86 total spills in 2010, 13 were related to the March ice storm and Hurricane Igor in September. These storm related spills accounted for approximately 51%, or 817 of the 1,606 litres released during the year. In 2010, 57 spills, or 66%, were minor spills with volumes of 10 litres or less.

PCB Regulations

In November, Environment Canada confirmed that the *PCB Regulations* will permit the reuse of PCB-containing oil for maintenance under certain conditions.

The Canadian Electricity Association ("CEA"), on behalf of all CEA utility members, continues to seek an amendment to the *PCB Regulations* which would allow the continued use of smaller PCB-containing equipment such as bushings and instrument transformers until 2025. In early December, representatives of Environment Canada indicated that several options for this amendment are being considered.

On December 16th, the Company provided Environment Canada with an updated report of equipment where PCB concentrations are unknown. This is an annual requirement under the Company's end-of-use extension to December 31, 2014 for all oil-filled electrical equipment with known PCB concentration levels of 500mg/kg and where concentration levels are unknown.

Training Programs

During the 4th quarter, 2 Newfoundland Power employees and 68 contractor employees were provided with environmental training. A total of 73 Newfoundland Power employees and 344 contractor employees were trained during the year.

8. Community

The Power of Life Project

Newfoundland Power employees and customers continue to support cancer care in our province by donating to our corporate charitable project, *The Power of Life Project*. During the 4th quarter, employees across the island organized events such as yard sales, Christmas breakfasts/dinners, bake sales and ticket sweeps to raise approximately $47,000 for cancer care.

CIBC Run for the Cure

On October 3rd, 40 employees and family members participated in the annual CIBC Run for the Cure in support of breast cancer research. The team proudly walked or ran in their Team Newfoundland Power Hockey Jerseys in support of family, friends and co-workers who have been affected by this disease and raised over $2,500.

Red Cross Humanitarian of the Year Awards

Newfoundland Power was once again a Gold Sponsor of the Red Cross Humanitarian of the Year Awards held in November. The 2010 Humanitarian of the Year Award was presented to Earl Ludlow in recognition of his ongoing commitment to volunteerism.

Partners for Life

The Company exceeded its 2010 annual corporate pledge of 300 blood donations. This is the 4th highest number of donations out of 437 corporate partners in Atlantic Canada this year. Since joining the Partners for Life Program in 2004, over 2,000 donations have been made by Newfoundland Power employees and family members, helping to save up to 6,000 lives.

Christmas Parades

Clarenville Christmas Parade

Newfoundland Power employees, retirees and family members got into the holiday spirit at Christmas parades across the island. In St. John's, employees and family members walked the parade route, collecting over 20,000 pounds of food valued at more than $40,000 and approximately $10,000 in cash for the Community Food Sharing Association. Over the past twelve years this event has collected approximately 216,000 pounds of food and over $92,000 in cash to assist others during the holiday season. Gander employees also collected a pickup truck full of food for the Gander Food Bank.

FINANCIAL STATEMENTS

NEWFOUNDLAND POWER INC.
BALANCE SHEETS
As At December 31
($000s)

	2010	2009 [1]
Capital Assets		
Property plant and equipment	1,212,810	1,230,371
Less: accumulated amortization	436,428	443,153
	776,382	787,218
Current Assets		
Cash	4,182	5,308
Accounts receivable	61,654	64,553
Income tax receivable	-	4,194
Materials and supplies	992	934
Prepaid expenses	1,327	1,376
Regulatory assets	11,536	8,736
	79,691	85,101
Accrued Pension	97,755	97,802
Regulatory Assets	175,593	177,236
Assets Held for Sale	44,698	-
Intangible Assets, net of amortization	15,310	16,113
Other Assets	1,647	1,717
Total Assets	**1,191,076**	**1,165,187**
Shareholders' Equity		
Common shares	70,321	70,321
Retained earnings	330,181	310,864
Common shareholder's equity	400,502	381,185
Preference shares	9,111	9,111
	409,613	390,296
Current Liabilities		
Accounts payable and accrued charges	64,269	65,727
Income tax payable	4,302	-
Current instalments of long-term debt	5,200	5,200
Future income taxes	3,211	1,068
Regulatory liabilities	-	7,087
	76,982	79,082
Future Income Taxes	120,016	122,426
Long-term Debt	470,282	474,050
Other Liabilities	56,812	50,673
Regulatory Liabilities	57,371	48,660
Total Shareholders' Equity and Liabilities	**1,191,076**	**1,165,187**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS
For The Periods Ended December 31
($000s)

	FOURTH QUARTER			ANNUAL		
	Actual 2010	Plan 2010	Actual 2009	Actual 2010	Plan 2010	Actual 2009
Revenue	151,477	147,174	146,506	554,950	547,048	527,179
Purchased Power	102,283	97,905	99,280	358,443	351,034	345,656
Contribution	49,194	49,269	47,226	196,507	196,014	181,523
Operating Expenses	13,460	13,632	12,939	54,623	53,402	49,315
Pension and Early Retirement Program Costs	1,927	2,067	663	7,588	8,196	2,673
Amortization	11,145	11,336	10,891	43,358	43,452	41,825
Amortization True-Up Deferral	966	965	965	3,862	3,860	3,862
Finance Charges	8,748	8,941	8,787	35,633	36,091	34,555
Earnings Before Income Taxes	12,948	12,328	12,981	51,443	51,013	49,293
Income Taxes	3,586	3,994	4,200	15,870	16,487	16,092
Net Earnings	9,362	8,334	8,781	35,573	34,526	33,201
Dividends on Preference Shares	142	141	141	568	564	573
Earnings Applicable to Common Shares	**9,220**	**8,193**	**8,640**	**35,005**	**33,962**	**32,628**

NEWFOUNDLAND POWER INC.
STATEMENTS OF RETAINED EARNINGS
For The Years Ended December 31
($000s)

	2010	2009
Balance, Beginning of the Year	310,864	303,417
Net Earnings	35,573	33,201
Dividends		
Preference Shares	(568)	(573)
Common Shares	(15,688)	(25,181)
Balance, End of the Year	**330,181**	**310,864**

NEWFOUNDLAND POWER INC.
STATEMENTS OF CASHFLOWS
For The Years Ended December 31
($000s)

	2010	2009 [1]
Operating Activities		
Net earnings	35,573	33,201
Items not affecting cash:		
Amortization of property, plant and equipment	40,521	38,935
Amortization of intangibles and other	3,107	3,162
Change in regulatory assets and liabilities	7,124	691
Future income taxes	(1,903)	502
Employee future benefits	216	(4,416)
Change in non-cash working capital	9,928	(12,695)
	94,566	59,380
Investing Activities		
Capital expenditures (net of salvage)	(76,347)	(71,267)
Intangible expenditures	(2,034)	(2,808)
Contributions from customers and other	2,945	4,468
	(75,436)	(69,607)
Financing Activities		
Net proceeds from (repayment of) committed credit facility	1,500	(18,500)
Proceeds from long-term debt	-	65,000
Repayment of long-tem debt	(5,200)	(5,200)
Payment of debt financing costs	(300)	(389)
Redemption of preference shares	-	(241)
Dividends		
Preference shares	(568)	(573)
Common shares	(15,688)	(25,181)
	(20,256)	14,916
(Decrease) Increase in Cash	(1,126)	4,689
Cash, Beginning of the Year	5,308	619
(Bank Indebtedness) Cash, End of the Year	**4,182**	**5,308**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

APPENDICES

NEWFOUNDLAND POWER INC.
ELECTRICITY STATISTICS
For The Periods Ended December 31

	FOURTH QUARTER		ANNUAL	
	2010	**2009**	**2010**	**2009**
Sales (GWh)				
Actual	1,384.3	1,480.2	5,176.6	5,227.5
Weather adjusted	1,488.2	1,473.9	5,419.0	5,299.0
Plan[1]	1,451.2		5,349.9	
Produced & Purchased (GWh)				
Actual	1,459.5	1,568.2	5,476.6	5,538.2
Weather adjusted	1,569.5	1,561.6	5,732.9	5,613.8
Plan[1]	1,537.6		5,667.6	
Hydro Production (GWh)				
Actual	121.9	132.9	462.2	426.7

[1] Based on Customer, Energy and Demand Forecast dated December 11, 2009.

NEWFOUNDLAND POWER INC.
STATEMENTS OF ELECTRICITY SOLD (GWh)
For The Periods Ended December 31

WEATHER ADJUSTED

	FOURTH QUARTER			ANNUAL		
BY SALES CATEGORY	**Actual 2010**	**Plan[1] 2010**	**Actual 2009**	**Actual 2010**	**Plan[1] 2010**	**Actual 2009**
Residential	937.3	912.2	923.4	3,311.2	3,234.9	3,203.3
Commercial						
0-10 kW	24.1	23.0	24.1	92.5	89.7	89.8
10-100 kW	170.0	170.2	169.5	649.3	653.0	640.9
110-1000 kVA	243.7	230.9	236.8	910.6	898.7	890.5
1000 kVA and Over	101.7	103.8	108.7	419.2	437.6	438.0
Total Commercial	539.5	527.9	539.1	2,071.6	2,079.0	2,059.2
Street Lighting	11.4	11.1	11.4	36.2	36.0	36.5
Total Sales	**1,488.2**	**1,451.2**	**1,473.9**	**5,419.0**	**5,349.9**	**5,299.0**
BY REGION						
Eastern [2]	1,046.4	1,022.0	1,036.8	3,817.1	3,761.1	3,719.3
Western [3]	441.8	429.2	437.1	1,601.9	1,588.8	1,579.7
Total Sales	**1,488.2**	**1,451.2**	**1,473.9**	**5,419.0**	**5,349.9**	**5,299.0**

[1] Based on Customer, Energy and Demand Forecast dated December 11, 2009.

[2] Eastern Region includes the St. John's, Avalon, Burin and Clarenville operating areas.

[3] Western Region includes the Gander, Grand Falls - Windsor, Corner Brook and Stephenville operating areas.

NEWFOUNDLAND POWER INC.
STATEMENTS OF REVENUE
For The Periods Ended December 31
($000s)

WEATHER ADJUSTED

BY SALES CATEGORY	FOURTH QUARTER Actual 2010	FOURTH QUARTER Plan [1] 2010	FOURTH QUARTER Actual 2009	ANNUAL Actual 2010	ANNUAL Plan [1] 2010	ANNUAL Actual 2009
Residential	92,984	90,814	87,955	332,664	325,881	309,360
Commercial						
0-10 kW	3,189	3,066	3,148	12,331	12,029	11,840
10-100 kW	17,184	17,207	17,007	65,291	65,650	63,318
110-1000 kVA	20,958	19,796	19,915	77,976	76,551	74,182
1000 kVA and Over	7,638	7,754	7,947	31,037	32,480	31,675
Total Commercial	48,969	47,823	48,017	186,635	186,710	181,015
Street Lighting	3,459	3,359	3,229	13,540	13,408	12,862
Forfeited Discounts	610	624	609	2,494	2,783	2,644
Revenue From Rates	**146,022**	**142,620**	**139,810**	**535,333**	**528,782**	**505,881**
Energy Supply Cost Variance [2]	1,013	-	2,071	2,213	-	2,878
Amortizations [3]						
2010 Pension Expense Variance Deferral	(160)	-	-	(640)	-	-
2005 Unbilled Remaining Balance	1,153	1,153	1,153	4,618	4,618	4,618
Total Reported Revenue	**148,028**	**143,773**	**143,034**	**541,524**	**533,400**	**513,377**
Other Revenue	3,449	3,401	3,472	13,426	13,648	13,802
Total Operating Revenue	**151,477**	**147,174**	**146,506**	**554,950**	**547,048**	**527,179**

(1) Based on 2010 Test Year sales forecast dated December 11, 2009 and rates effective January 1, 2010 as approved by Order No. P.U. 46(2009).
(2) Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).
(3) Revenue amortizations as approved in Order No. P.U. 43(2009) & Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
SUMMARY OF WEATHER ADJUSTMENTS
For The Periods Ended December 31
($000s)

	FOURTH QUARTER			ANNUAL		
REVENUE FROM ELECTRICITY SALES	**Actual 2010**	**Plan [1] 2010**	**Actual 2009**	**Actual 2010**	**Plan [1] 2010**	**Actual 2009**
Actual	137,280	142,620	140,329	514,888	528,782	500,123
Degree Day & Wind Adjustment	8,742	-	(519)	20,445	-	5,758
Weather Adjusted	**146,022**	**142,620**	**139,810**	**535,333**	**528,782**	**505,881**
Energy Supply Cost Variance [2]	1,013	-	2,071	2,213	-	2,878
Amortizations [3]						
2010 Pension Expense Variance Deferral	(160)	-	-	(640)	-	-
2005 Unbilled Remaining Balance	1,153	1,153	1,153	4,618	4,618	4,618
Total Reported Revenue	**148,028**	**143,773**	**143,034**	**541,524**	**533,400**	**513,377**
PURCHASED POWER EXPENSE						
Actual	89,511	97,397	98,096	328,363	349,023	336,954
Degree Day & Wind Adjustment	9,677	-	(584)	22,568	-	6,663
Hydro Equalization Adjustment	2,010	-	1,261	4,506	-	29
Purchased Power Weather Adjusted	**101,198**	**97,397**	**98,773**	**355,437**	**349,023**	**343,646**
Demand Management Incentive Account [4]	576	-	-	994	-	-
Amortizations [5]						
Rattling Brook Deferral	148	148	148	598	598	598
PPUCVR Balance at Dec 31, 2006	(166)	(166)	(166)	(688)	(688)	(688)
Weather Normalization Reserve	527	526	525	2,102	2,101	2,100
Total Purchased Power Expense	**102,283**	**97,905**	**99,280**	**358,443**	**351,034**	**345,656**

(1) Based on 2010 Test Year sales forecast dated December 11, 2009 and rates effective January 1, 2010 as approved by Order No. P.U. 46(2009).
(2) Energy Supply Cost Variance as approved in Order No. P.U. 32(2007).
(3) Revenue amortizations as approved in Order No. P.U. 43(2009) & Order No. P.U. 32(2007).
(4) Demand Management Incentive Account as approved in Order No. P.U. 32(2007).
(5) Amortizations for 2009 & 2010 as approved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS - DETAIL
For The Periods Ended December 31
($000s)

	FOURTH QUARTER			ANNUAL		
	Actual 2010	Plan 2010	Actual 2009	Actual 2010	Plan 2010	Actual 2009
Other Revenue						
Joint Use Revenue						
Aliant	1,834	1,869	1,805	7,336	7,392	7,219
CATV	506	498	499	2,024	1,993	2,000
Total Joint Use Revenue	2,340	2,367	2,304	9,360	9,385	9,219
Miscellaneous						
Customer Jobbing	194	106	266	492	445	663
Rental Income	-	6	-	10	25	17
Municipal Tax Liability [1]	340	340	338	1,363	1,362	1,364
Interest - Customer Accounts	171	293	143	801	1,222	818
Interest - RSA	14	(11)	(36)	66	(44)	-
Interest - CIAC	25	30	26	100	125	107
Interest - Other	24	30	150	100	125	243
Reconnections	39	20	22	124	86	85
NSF Cheque Charges	7	10	8	32	40	34
Wheeling Charges	154	127	140	591	532	566
Miscellaneous	73	18	46	132	75	434
Service Connection Fees	68	65	65	255	270	252
Total Miscellaneous	1,109	1,034	1,168	4,066	4,263	4,583
Total Other Revenue	**3,449**	**3,401**	**3,472**	**13,426**	**13,648**	**13,802**
Finance Charges						
Interest on Long-term Debt	8,887	8,905	8,987	35,850	35,849	34,547
Interest on Long-term Committed Credit Facility	110	83	28	316	390	396
Interest on Short-term Uncommitted Demand Facility	4	-	-	13	-	7
Amortization of Deferred Debt Issue Costs	73	46	65	232	185	235
Amortization of Capital Stock Issue Expenses	10	10	10	38	38	38
Interest on Security Deposits	2	-	1	5	-	8
Interest Charged to Construction	(338)	(103)	(304)	(821)	(371)	(676)
Total Finance Charges	**8,748**	**8,941**	**8,787**	**35,633**	**36,091**	**34,555**

[1] Amortization of the Municipal Tax Liability as approved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
CUSTOMER AND EMPLOYEE STATISTICS
As At December 31

	ANNUAL		
	Actual 2010	**Plan 2010**	**Actual 2009**
Customers	243,426	241,634	239,307
Employees [1]			
Regular	572	579	572
Temporary	69	72	72
Total	641	651	644

[1] Refers to full time equivalents.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY AREA
For The Periods Ended December 31

	SAIFI					SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR	QUARTER		12 MONTH TO DATE		5 YEAR
AREA	2010 #	2009 #	2010 #	2009 #	TO DATE # / YEAR	2010 HOURS	2009 HOURS	2010 HOURS	2009 HOURS	TO DATE HRS. / YEAR
St. John's	0.51	0.74	2.89	2.18	2.41	0.45	0.85	12.23	2.15	4.29
Avalon	0.42	0.73	1.94	1.89	2.12	0.77	0.86	7.78	2.13	3.96
Burin	0.93	0.77	4.33	3.83	4.22	0.62	0.96	5.77	4.03	4.41
Bonavista	0.25	0.71	4.74	2.17	5.17	0.75	0.72	31.66	2.78	17.99
Gander	0.69	0.64	2.65	3.90	3.51	1.88	1.14	12.42	4.39	6.48
Grand Falls	1.00	0.67	4.52	2.97	3.18	1.97	1.68	4.73	3.73	3.59
Corner Brook	1.11	1.12	2.06	2.08	2.54	1.30	1.18	3.66	2.11	2.82
Stephenville	0.49	0.37	4.66	2.79	4.06	0.98	0.53	9.82	3.00	4.62
Company Totals	**0.61**	**0.74**	**2.69**	**2.46**	**2.84**	**0.89**	**0.95**	**13.82**	**2.66**	**5.74**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended December 31

ORIGIN	SAIFI QUARTER 2010 #	SAIFI QUARTER 2009 #	SAIFI 12 MONTH TO DATE 2010 #	SAIFI 12 MONTH TO DATE 2009 #	SAIFI 5 YEAR TO DATE # / YEAR
Loss of Supply (NF Hydro)	0.12	0.18	0.28	0.47	0.47
Transmission	0.11	0.12	0.87	0.59	0.80
Distribution	0.38	0.44	1.54	1.40	1.57
Company Totals	**0.61**	**0.74**	**2.69**	**2.46**	**2.84**

System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended December 31

ORIGIN	SAIDI QUARTER 2010 HOURS	SAIDI QUARTER 2009 HOURS	SAIDI 12 MONTH TO DATE 2010 HOURS	SAIDI 12 MONTH TO DATE 2009 HOURS	SAIDI 5 YEAR TO DATE HRS. / YEAR
Loss of Supply (NF Hydro)	0.04	0.06	0.40	0.12	0.25
Transmission	0.17	0.07	4.70	0.40	1.45
Distribution	0.68	0.82	8.72	2.14	4.04
Company Totals	**0.89**	**0.95**	**13.82**	**2.66**	**5.74**

System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BREAKDOWN REPORT
Fourth Quarter 2010

AREA	SCHEDULED		UNSCHEDULED		TOTAL	
	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS
St. John's	0.02	0.04	0.49	0.41	0.51	0.45
Avalon	0.17	0.26	0.25	0.51	0.42	0.77
Burin	0.78	0.40	0.15	0.22	0.93	0.62
Bonavista	0.10	0.24	0.15	0.51	0.25	0.75
Gander	0.40	0.88	0.29	1.00	0.69	1.88
Grand Falls	0.65	1.58	0.35	0.39	1.00	1.97
Corner Brook	0.60	0.75	0.51	0.55	1.11	1.30
Stephenville	0.11	0.08	0.38	0.90	0.49	0.98
Company Totals	**0.23**	**0.37**	**0.38**	**0.52**	**0.61**	**0.89**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.

CAPITAL EXPENDITURE PROGRESS REPORT

For the Period Ended December 31, 2010

Introduction

The Capital Expenditure Progress Report summarizes the capital expenditures of the various capital accounts of the Company and lists any new lease obligations in excess of $5,000 per year.

The report contains three sections:

1. The Budget section outlines the annual capital expenditure budget approved by the Public Utilities Board for the current year.

2. The Expenditure section outlines actual capital expenditures for the current quarter and year to date, and indicates the balance of the annual capital budget remaining to be expended (difference between annual budget and year to date actual).

3. The Leasing Arrangement section includes a brief description of the item being leased, the leasing period, and the annual and quarterly leasing costs.

NEWFOUNDLAND POWER INC.
CAPITAL EXPENDITURE PROGRESS REPORT
For the Period Ended December 31, 2010
($000s)

	BUDGET	EXPENDITURE [1]		
	Approved by Order No. P.U. 41(2009), P.U. 17(2010) and P.U. 35(2010)	Fourth Quarter	Annual 2010	Variance
Generation Hydro	5,279	1,805	4,973	(306)
Generation Thermal	150	42	189	39
Substations	10,218	3,240	9,341	(877)
Transmission	5,915	1,097	2,931	(2,984)
Distribution	31,965	10,774	38,765	6,800
General Property	1,381	420	1,320	(61)
Transportation	2,352	167	2,287	(65)
Telecommunications	379	229	324	(55)
Information Systems	3,490	907	3,393	(97)
Unforeseen Items	6,850	1,662	6,133	(717)
General Expenses Capital	2,800	765	3,316	516
TOTAL	70,779	21,108	72,972	2,193

Leasing Arrangements Entered Into			
Brief Description	**Period**	**Annual Cost**	**Quarterly Payments**
	There were no lease obligations in excess of $5,000 annually entered into during the fourth quarter of 2010.		

[1] Excludes capital expenditures of approximately $607,000 related to prior years capital projects carried forward into 2010.

NEWFOUNDLAND POWER INC.

INTER-COMPANY TRANSACTIONS REPORT

For the Period Ended December 31, 2010

Introduction

The Inter-Company Transactions Report summarizes transactions between the Company and related corporations on a quarterly and year-to-date basis. The report itemizes the charges by type and distinguishes between regulated and non-regulated charges. The report also documents any contracts, agreements or loans between Newfoundland Power and any related corporation that were signed in the current quarter.

The report is divided into four sections as follows:

1. The first section aggregates charges from all related corporations and presents a summary, by charge type, for the current quarter and year-to-date with comparable data for the same period last year, as well as annual charges for the previous year.

2. The second section breaks down the charges ***from*** each individual associated corporation and presents an itemized quarterly summary for the current year and year-to-date with comparable data for the same period last year, as well as annual charges for the previous year.

3. The third section breaks down the charges ***to*** each individual associated corporation and presents an itemized quarterly summary for the current year and year-to-date with comparable data for the same period last year, as well as annual charges for the previous year.

4. The fourth section lists any contracts or agreements that were signed between the Company and any related corporation as well as any loans with related corporations. Loan information provided includes the amount of the loan, the date of borrowing and date of repayment, the interest rate, and total interest paid.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Summary of Charges
For the Period Ended December 31, 2010

Charges from Associated Companies

Regulated Charges	Fourth Quarter 2010	Fourth Quarter 2009	Annual 2010	Annual 2009
Trustee & Share Plan Costs	$ 9,000	$ 12,000	$ 45,000	$ 42,000
Hotel/Banquet Facilities	51,463	14,543	67,196	25,627
Staff Charges	104,933	-	151,132	12,000
Joint-use Pole Purchases	9,582	-	13,512	2,532
Miscellaneous	6,495	7,577	41,504	65,982
Sub-total	$ 181,473	$ 34,120	$ 318,344	$ 148,141

Non-Regulated Charges	Fourth Quarter 2010	Fourth Quarter 2009	Annual 2010	Annual 2009
Directors' Fees & Travel	$ 92,000	$ 97,000	$ 263,000	$ 226,000
Annual & Quarterly Reports	(1,000)	7,000	89,000	91,000
Hotel/Banquet Facilities	-	-	2,416	-
Staff Charges	157,000	(79,000)	352,000	71,000
Miscellaneous	39,000	113,000	697,877	695,521
Sub-total	$ 287,000	$ 138,000	$ 1,404,293	$ 1,083,521
TOTAL	$ 468,473	$ 172,120	$ 1,722,637	$ 1,231,662

Charges to Associated Companies

	Fourth Quarter 2010	Fourth Quarter 2009	Annual 2010	Annual 2009
Printing & Stationery	$ 177	$ 33	$ 401	$ 843
Postage	4,275	4,913	20,851	20,689
Staff Charges	70,469	155,743	583,381	531,450
Staff Charges - Insurance	90,209	63,898	269,604	244,753
IS Charges	21,544	22,022	21,544	22,022
Pole Installations	3,107	11,513	23,976	23,599
Miscellaneous	10,752	5,960	36,607	41,697
TOTAL	$ 200,533	$ 264,082	$ 956,364	$ 885,053

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended December 31, 2010

	Fourth Quarter 2010			Fourth Quarter 2009		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.						
Directors' Fees & Travel	$ -	$ 92,000	$ 92,000	$ -	$ 97,000	$ 97,000
Annual & Quarterly Reports	-	(1,000)	(1,000)	-	7,000	7,000
Trustee & Share Plan Costs	9,000	-	9,000	12,000	-	12,000
Staff Charges	-	157,000	157,000	-	(79,000)	(79,000)
Joint-use Pole Purchases	9,582	-	9,582	-	-	-
Miscellaneous	3,529	39,000	42,529	3,572	113,000	116,572
Total	$ 22,111	$ 287,000	$ 309,111	$ 15,572	$ 138,000	$ 153,572
Fortis Properties Corporation						
Hotel/Banquet Facilities	$ 51,463	$ -	$ 51,463	$ 14,543	$ -	$ 14,543
Miscellaneous	-	-	-	1,503	-	1,503
Total	$ 51,463	$ -	$ 51,463	$ 16,046	$ -	$ 16,046
Maritime Electric Co. Ltd.						
Staff Charges	$ 40,019	$ -	$ 40,019	$ -	$ -	$ -
Miscellaneous	2,966	-	2,966	2,233	-	2,233
Total	$ 42,985	$ -	$ 42,985	$ 2,233	$ -	$ 2,233
FortisAlberta Inc.						
Staff Charges	$ 64,914	$ -	$ 64,914	$ -	$ -	$ -
Total	$ 64,914	$ -	$ 64,914	$ -	$ -	$ -
FortisBC Inc.						
Miscellaneous	$ -	$ -	$ -	$ 269	$ -	$ 269
Total	$ -	$ -	$ -	$ 269	$ -	$ 269
Grand Total	$ 181,473	$ 287,000	$ 468,473	$ 34,120	$ 138,000	$ 172,120

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended December 31, 2010

	Annual 2010			Annual 2009		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.						
Directors' Fees and Travel	$ -	$ 263,000	$ 263,000	$ -	$ 226,000	$ 226,000
Annual & Quarterly Reports	-	89,000	89,000	-	91,000	91,000
Trustee & Share Plan Costs	45,000	-	45,000	42,000	-	42,000
Staff Charges	-	352,000	352,000	-	71,000	71,000
Joint-use Pole Purchases	13,512	-	13,512	2,532	-	2,532
Miscellaneous	12,493	697,877	710,370	35,862	695,521	731,383
Total	$ 71,005	$ 1,401,877	$1,472,882	$ 80,394	$1,083,521	$1,163,915
Fortis Properties Corporation						
Staff Charges	$ -	$ -	$ -	$ 12,000	$ -	$ 12,000
Hotel/Banquet Facilities	67,196	2,416	69,612	25,627	-	25,627
Miscellaneous	11,814	-	11,814	4,681	-	4,681
Total	$ 79,010	$ 2,416	$ 81,426	$ 42,308	$ -	$ 42,308
Maritime Electric Co. Ltd.						
Staff Charges	$ 86,218	$ -	$ 86,218	$ -	$ -	$ -
Miscellaneous	7,338	-	7,338	8,977	-	8,977
Total	$ 93,556	$ -	$ 93,556	$ 8,977	$ -	$ 8,977
FortisAlberta Inc.						
Staff Charges	$ 64,914	$ -	$ 64,914	$ -	$ -	$ -
Total	$ 64,914	$ -	$ 64,914	$ -	$ -	$ -
FortisBC Inc.						
Miscellaneous	$ 9,859	$ -	$ 9,859	$ 16,462	$ -	$ 16,462
Total	$ 9,859	$ -	$ 9,859	$ 16,462	$ -	$ 16,462
Grand Total	$ 318,344	$ 1,404,293	$1,722,637	$ 148,141	$1,083,521	$1,231,662

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended December 31, 2010

	Fourth Quarter 2010	Fourth Quarter 2009	Annual 2010	Annual 2009
Fortis Inc.				
Printing & Stationery	$ -	$ -	$ -	$ 129
Postage	4,275	4,913	20,851	20,689
Staff Charges	57,169	112,027	500,948	327,534
Staff Charges - Insurance	65,963	26,484	213,164	173,887
IS Charges	-	277	-	277
Pole Installations	3,107	11,513	23,976	23,599
Miscellaneous	5,389	3,747	8,747	11,969
Total	$ 135,903	$ 158,961	$ 767,686	$ 558,084
Fortis Properties Corporation				
Printing & Stationery	$ 177	$ 33	$ 401	$ 714
Staff Charges	-	-	1,247	-
Staff Charges - Insurance	5,610	1,784	23,303	13,517
IS Charges	-	4,432	-	4,432
Miscellaneous	-	2,000	9,745	4,691
Total	$ 5,787	$ 8,249	$ 34,696	$ 23,354
Maritime Electric Co. Ltd.				
Staff Charges	$ 569	$ 791	$ 2,312	$ 1,932
Staff Charges - Insurance	369	143	1,346	1,488
IS Charges	3,351	2,424	3,351	2,424
Miscellaneous	-	-	580	701
Total	$ 4,289	$ 3,358	$ 7,589	$ 6,545
FortisOntario Inc.				
Staff Charges - Insurance	$ 716	$ 9,464	$ 4,417	$ 17,688
IS Charges	4,788	2,424	4,788	2,424
Miscellaneous	-	-	360	273
Total	$ 5,504	$ 11,888	$ 9,565	$ 20,385
Belize Electric Company Limited				
Staff Charges	$ 9,891	$ 19,410	$ 37,456	$ 86,581
Staff Charges - Insurance	1,134	6,961	1,134	8,743
Total	$ 11,025	$ 26,371	$ 38,590	$ 95,324

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended December 31, 2010

	Fourth Quarter 2010	Fourth Quarter 2009	Annual 2010	Annual 2009
Belize Electricity Limited				
Staff Charges	$ 804	$ 10,143	$ 3,739	$ 11,424
Staff Charges - Insurance	6,153	5,898	8,043	8,436
IS Charges	-	4,155	-	4,155
Miscellaneous	5,044	107	5,177	4,863
Total	$ 12,001	$ 20,303	$ 16,959	$ 28,878
FortisAlberta Inc.				
Staff Charges - Insurance	$ 162	$ 810	$ 540	$ 3,456
IS Charges	-	-	-	-
Miscellaneous	-	-	2,990	3,441
Total	$ 162	$ 810	$ 3,530	$ 6,897
FortisBC Inc.				
Staff Charges - Insurance	$ 443	$ 594	$ 1,410	$ 1,620
IS Charges	13,405	8,310	13,405	8,310
Miscellaneous	9	(89)	1,919	2,203
Total	$ 13,857	$ 8,815	$ 16,734	$ 12,133
Terasen Gas Inc.				
Staff Charges - Insurance	$ -	$ 378	$ 540	$ 1,296
Miscellaneous	8	130	6,212	6,425
Total	$ 8	$ 508	$ 6,752	$ 7,721
Caribbean Utilities Co. Limited				
Staff Charges	$ -	$ -	$ -	$ 888
Staff Charges - Insurance	4,968	6,243	7,452	6,837
Miscellaneous	-	-	-	101
Total	$ 4,968	$ 6,243	$ 7,452	$ 7,826
Fortis Turks and Caicos				
Staff Charges	$ 2,036	$ 13,372	$ 37,679	$ 103,091
Staff Charges - Insurance	4,691	5,139	8,255	7,785
Miscellaneous	302	65	877	7,030
Total	$ 7,029	$ 18,576	$ 46,811	$ 117,906

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Agreements With Associated Companies
For the Period Ended December 31, 2010

No loans or agreements with related companies were entered into during the quarter ending December 31, 2010.

NEWFOUNDLAND POWER INC.

CUSTOMER PROPERTY DAMAGE CLAIMS REPORT

For the Quarter Ending December 31, 2010

Introduction

The Customer Property Damage Claims Report contains an overview of all damage claims activity summarized on a quarterly basis. The information contained in the report is broken down by cause as well as by the operating region where the claims originated.

The report is divided into four sections as follows:

1. The first section indicates the number of claims received during the quarter coupled with claims outstanding from the previous quarter.

2. The second section shows the number of claims for which the Company has accepted responsibility and the amount paid to claimants versus the amount originally claimed.

3. The third section shows the number of claims rejected and the dollar value associated with those claims.

4. The fourth section indicates those claims that remain outstanding at the end of the current quarter and the dollar value associated with such claims.

Overview - Fourth Quarter

The total number of damage claims received during the fourth quarter of 2010 has decreased in comparison to the number of claims received during the same period in 2009. The decrease is found primarily in the Equipment Failure category.

Please note that the number of claims outstanding from the last quarter has been reduced by four as a result of claims being withdrawn by customers. Three of these claims were originally reported under System Operations, Improper Workmanship, and Weather Related categories in the Eastern Region while the remaining claim was reported under the Equipment Failure category in the Western Region. The new total of outstanding damage claims is 21, down from 25 as reported in the summary for the quarter ending September 2010.

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Cause

For the Quarter Ending December 31, 2010

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	3	1	4	3	$ 1,497	$ 797	1	$ 700	-	$ -
Power Interruptions	-	2	2	2	2,185	1,865	-	-	-	-
Improper Workmanship	7	5	12	7	11,368	6,722	-	-	5	15,250
Weather Related	-	-	-	-	-	-	-	-	-	-
Equipment Failure	21	9	30	21	23,692	15,738	-	-	9	6,500
Third Party	-	1	1	-	-	-	-	-	1	500
Miscellaneous	18	3	21	15	11,258	10,688	1	300	5	5,650
Total	**49**	**21**	**70**	**48**	**$ 50,000**	**$ 35,810**	**2**	**$ 1,000**	**20**	**$ 27,900**

For the Quarter Ending December 31, 2009

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	-	1	1	-	$ -	$ -	-	$ -	1	$ 1,000
Power Interruptions	-	-	-	-	-	-	-	-	-	-
Improper Workmanship	8	1	9	6	7,714	3,177	-	-	3	7,800
Weather Related	1	-	1	-	-	-	-	-	1	5,000
Equipment Failure	33	8	41	27	48,576	23,463	-	-	14	17,715
Third Party	1	-	1	1	315	315	-	-	-	-
Miscellaneous	14	5	19	14	43,095	7,965	-	-	5	3,300
Total	**57**	**15**	**72**	**48**	**$ 99,700**	**$ 34,920**	**-**	**$ -**	**24**	**$ 34,815**

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Region

For the Quarter Ending December 31, 2010

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	27	17	44	27	$ 26,679	$ 17,033	2	$ 1,000	15	$ 24,200
Western Region	22	4	26	21	23,321	18,777	-	-	5	3,700
Total	**49**	**21**	**70**	**48**	**$ 50,000**	**$ 35,810**	**2**	**$ 1,000**	**20**	**$ 27,900**

For the Quarter Ending DEcember 31, 2009

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
Eastern Region	39	12	51	32	$ 85,619	$ 23,134	-	$ -	19	$ 31,615
Western Region	18	3	21	16	14,081	11,786	-	-	5	3,200
Total	**57**	**15**	**72**	**48**	**$ 99,700**	**$ 34,920**	**-**	**$ -**	**24**	**$ 34,815**

Definitions of Causes of Damage Claims

1. **System Operations:** Claims arising from system operations. Examples include normal reclosing or switching.

2. **Power Interruptions:** Claims arising from interruption of power supply. Examples include all scheduled or unscheduled interruptions.

3. **Improper Workmanship:** Claims arising from failure of electrical equipment caused by improper workmanship or methods. Examples include improper crimping of connections, insufficient sealing and taping of connections, improper maintenance, inadequate clearance, or improper operation of equipment.

4. **Weather Related:** Claims arising from weather conditions. Examples include wind, rain, ice, lightning, or corrosion caused by weather.

5. **Equipment Failure:** Claims arising from failure of electrical equipment not caused by improper workmanship. Examples include broken neutrals, broken tie wires, transformer failure, insulator failure or broken service wire.

6. **Third Party:** Claims arising from equipment failure caused by acts of third parties. Examples include motor vehicle accidents and vandalism.

7. **Miscellaneous:** All claims not related to electrical service.

NEWFOUNDLAND POWER INC.

CONTRIBUTION IN AID OF CONSTRUCTION
QUARTERLY ACTIVITY REPORT

For the Quarter Ending December 31, 2010

The table below summarizes Contribution In Aid of Construction (CIAC) activity for the fourth quarter of 2010. The table is divided into three sections. The first section identifies the type of service for which a CIAC has been calculated. Services are categorized as Domestic (located within a Residential Planning Area), Domestic (located outside a Residential Planning Area) or General Service.

The second section indicates the number of CIACs quoted during the quarter as well as the number of CIAC quotes that remained outstanding at the end of the previous quarter. This format facilitates a reconciliation of the total number of CIACs that were active during the quarter.

The third section provides information as to the disposition of the total CIACs quoted. A CIAC is considered Accepted when a customer indicates they wish to proceed with construction of the extension and has agreed to pay any charge that may be applicable. A CIAC is considered Outdated after six months has elapsed and the customer has not indicated their intention to proceed with the extension. A quoted CIAC is Outstanding if it is neither Accepted nor Outdated.

Type of Service	CIACs Quoted	CIACs Outstanding Previous Qtr.	Total CIACs Quoted	CIACs Accepted	CIACs Outdated	Total CIACs Outstanding
Domestic						
- Within Planning Area	23	11	34	20	3	11
- Outside Planning Area	32	31	63	24	11	28
	55	42	97	44	14	39
General Service	9	7	16	6	4	6
Total	64	49	113	50	18	45

The table on pages 2 to 3 of the report provides specific information for the 64 CIACs quoted to customers during the period October 1, 2010 to December 31, 2010. Both the CIAC amounts quoted and the Estimated Construction Costs exclude HST.

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Fourth Quarter 2010

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (within Residential Planning Area)				
12-Oct-10	2010-30-119	1,710.00	4,260.00	Yes
22-Oct-10	2010-30-121	1,410.00	3,960.00	Yes
28-Oct-10	2010-51-126	4,680.00	7,230.00	
28-Oct-10	2010-30-123	2,250.00	4,800.00	Yes
28-Oct-10	2010-30-122	867.50	4,320.00	Yes
28-Oct-10	2010-51-124	17,480.00	17,480.00	
28-Oct-10	2010-51-130	1,170.00	4,620.00	
10-Nov-10	2010-20-217	1,430.00	3,980.00	Yes
16-Nov-10	2010-51-131	8,901.50	12,051.50	Yes
22-Nov-10	2010-30-126	270.00	2,820.00	Yes
24-Nov-10	2010-40-135	1,950.00	5,100.00	Yes
24-Nov-10	2010-40-136	17,390.00	19,940.00	
26-Nov-10	2010-10-165	3,010.00	5,560.00	Yes
2-Dec-10	2010-10-163	630.00	3,180.00	Yes
3-Dec-10	2010-20-224	10,583.24	13,133.24	
6-Dec-10	2010-20-226	1,410.00	3,960.00	Yes
6-Dec-10	2010-20-225	3,930.00	6,480.00	
7-Dec-10	2010-30-125	830.00	3,380.00	Yes
8-Dec-10	2010-10-112	450.00	3,000.00	Yes
10-Dec-10	2010-40-141	390.00	3,120.00	
13-Dec-10	2010-20-223	467.50	3,017.50	Yes
15-Dec-10	2010-41-111	377.60	2,927.60	Yes
15-Dec-10	2010-41-115	270.00	2,820.00	Yes
DOMESTIC (outside Residential Planning Area)				
8-Oct-10	2010-51-129	1,500.00	2,250.00	Yes
12-Oct-10	2010-20-213	360.00	1,410.00	Yes
12-Oct-10	2010-30-118	4,331.29	5,081.29	
18-Oct-10	2010-10-142	780.00	1,530.00	Yes
19-Oct-10	2010-31-111	5,489.58	6,239.58	Yes
22-Oct-10	2010-20-214	2,755.20	3,505.20	
22-Oct-10	2010-20-215	3,061.48	3,811.48	Yes
22-Oct-10	2010-40-127	2,918.10	3,668.10	Yes
26-Oct-10	2010-20-216	2,755.20	3,505.20	Yes
28-Oct-10	2010-30-120	4,331.29	5,081.29	
2-Nov-10	2010-30-124	4,331.29	5,081.29	Yes
5-Nov-10	2010-10-161	5,285.00	6,035.00	
8-Nov-10	2010-50-125	1,980.00	2,730.00	
8-Nov-10	2010-40-130	31,463.54	37,589.29	
9-Nov-10	2010-10-162	13,580.00	14,330.00	Yes
10-Nov-10	2010-10-155	1,455.01	2,205.01	Yes

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Fourth Quarter 2010

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (outside Residential Planning Area)				
10-Nov-10	2010-20-218	4,170.21	4,920.21	Yes
10-Nov-10	2010-20-219	3,545.06	4,295.06	Yes
24-Nov-10	2010-40-134	3,318.18	4,068.18	
25-Nov-10	2010-20-221	2,207.42	2,957.42	
25-Nov-10	2010-20-220	2,940.00	3,990.00	
26-Nov-10	2010-50-127	15,244.38	15,974.38	Yes
29-Nov-10	2010-40-129	2,641.89	3,391.89	
7-Dec-10	2010-50-128	2,961.54	3,711.54	
7-Dec-10	2010-20-227	1,120.00	1,870.00	Yes
9-Dec-10	2010-40-138	4,273.00	5,323.00	
14-Dec-10	2010-10-159	1,879.34	2,629.34	Yes
20-Dec-10	2010-40-142	3,511.68	4,261.68	
21-Dec-10	2010-20-231	3,738.00	4,488.00	
21-Dec-10	2010-10-170	240.00	990.00	
21-Dec-10	2010-20-229	2,755.20	3,505.20	
30-Dec-10	2010-10-171	2,289.94	3,039.94	Yes
GENERAL SERVICE				
5-Oct-10	2010-50-123	5,090.00	7,640.00	
14-Oct-10	2010-50-124	10,257.20	12,495.00	
15-Oct-10	2010-41-110	5,119.52	8,774.00	
4-Nov-10	2010-10-158	2,500.00	8,500.00	Yes
16-Nov-10	2010-51-132	5,904.00	20,010.00	Yes
17-Nov-10	2010-51-133	1,049.00	4,500.00	Yes
16-Dec-10	2010-41-114	3,985.00	5,870.00	Yes
16-Dec-10	2010-51-134	491,500.00	494,500.00	
20-Dec-10	2010-40-139	4,500.00	5,163.00	

NEWFOUNDLAND POWER INC.

CONTRIBUTION IN AID OF CONSTRUCTION
QUARTERLY ACTIVITY REPORT

For the Period Ended June 30, 2011

The table below summarizes Contribution In Aid of Construction (CIAC) activity for the second quarter of 2011. The table is divided into three sections. The first section identifies the type of service for which a CIAC has been calculated. Services are categorized as Domestic (located within a Residential Planning Area), Domestic (located outside a Residential Planning Area) or General Service.

The second section indicates the number of CIACs quoted during the quarter as well as the number of CIAC quotes that remained outstanding at the end of the previous quarter. This format facilitates a reconciliation of the total number of CIACs that were active during the quarter.

The third section provides information as to the disposition of the total CIACs quoted. A CIAC is considered Accepted when a customer indicates they wish to proceed with construction of the extension and has agreed to pay any charge that may be applicable. A CIAC is considered Outdated after six months has elapsed and the customer has not indicated their intention to proceed with the extension. A quoted CIAC is Outstanding if it is neither Accepted nor Outdated.

Type of Service	CIACs Quoted	CIACs Outstanding Previous Qtr.	Total CIACs Quoted	CIACs Accepted	CIACs Outdated	Total CIACs Outstanding
Domestic						
- Within Planning Area	28	6	34	13	3	18
- Outside Planning Area	79	31	110	45	7	58
	107	37	144	58	10	76
General Service	14	11	25	7	4	14
Total	121	48	169	65	14	90

The table on pages 2 to 4 of the report provides specific information for the 121 CIACs quoted to customers during the period April 1, 2011 to June 30, 2011. Both the CIAC amounts quoted and the Estimated Construction Costs exclude HST.

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Second Quarter 2011

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (within Residential Planning Area)				
6-Apr-11	2011-40-110	11,750.00	14,300.00	
7-Apr-11	2011-20-117	980.00	3,830.00	Yes
11-Apr-11	2011-20-120	2,592.00	5,442.00	Yes
13-Apr-11	2011-20-121	500.00	3,622.50	Yes
3-May-11	2011-20-136	3,650.00	6,200.00	Yes
6-May-11	2011-20-137	1,339.00	3,805.00	Yes
11-May-11	2011-41-108	3,419.00	5,969.00	
17-May-11	2011-41-109	915.00	4,090.00	Yes
19-May-11	2011-50-108	200.00	3,230.00	
19-May-11	2011-51-111	7,600.00	10,150.00	
31-May-11	2011-20-154	1,020.00	3,570.00	Yes
31-May-11	2011-51-107	7,520.00	15,170.00	Yes
1-Jun-11	2011-10-124	1,590.00	4,740.00	Yes
1-Jun-11	2011-10-125	480.00	3,030.00	
1-Jun-11	2011-51-106	3,800.00	6,350.00	
3-Jun-11	2011-31-102	960.00	3,510.00	Yes
8-Jun-11	2011-20-158	2,390.00	4,940.00	
10-Jun-11	2011-20-166	2,880.00	5,430.00	
10-Jun-11	2011-20-167	505.00	3,055.00	
10-Jun-11	2011-20-168	1,705.00	4,255.00	
14-Jun-11	2011-10-130	3,720.00	6,270.00	
16-Jun-11	2011-50-116	1,220.00	3,770.00	
18-Jun-11	2011-10-127	2,970.00	5,970.00	
18-Jun-11	2011-10-131	3,630.00	6,180.00	
23-Jun-11	2011-10-133	10,850.00	13,400.00	
24-Jun-11	2011-10-132	7,619.00	10,169.00	
24-Jun-11	2011-10-134	270.00	3,060.00	
28-Jun-11	2011-51-119	2,990.00	5,840.00	
DOMESTIC (outside Residential Planning Area)				
7-Apr-11	2011-20-114	2,595.10	3,345.10	Yes
7-Apr-11	2011-20-116	2,207.42	2,957.42	Yes
8-Apr-11	2011-31-101	151,378.00	166,078.00	
11-Apr-11	2011-40-111	26,250.00	28,800.00	
13-Apr-11	2011-20-123	2,595.10	3,345.10	Yes
20-Apr-11	2011-20-124	3,014.30	3,764.30	Yes
25-Apr-11	2011-20-122	1,740.00	2,490.00	Yes
25-Apr-11	2011-20-125	1,260.00	2,010.00	Yes
27-Apr-11	2011-20-127	2,207.42	2,957.42	Yes
27-Apr-11	2011-20-128	2,207.42	2,957.42	Yes
28-Apr-11	2011-51-109	1,725.00	2,475.00	Yes

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Second Quarter 2011

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (outside Residential Planning Area)				
2-May-11	2011-20-129	3,014.30	3,764.30	Yes
2-May-11	2011-20-130	2,426.00	3,176.00	Yes
2-May-11	2011-20-131	3,014.30	3,764.30	
2-May-11	2011-20-132	2,595.10	3,345.10	Yes
3-May-11	2011-20-133	2,207.42	2,957.42	Yes
3-May-11	2011-20-134	2,207.42	2,957.42	Yes
5-May-11	2011-50-105	2,961.54	3,711.54	
5-May-11	2011-50-106	2,961.54	3,711.54	
10-May-11	2011-20-138	8,440.00	9,190.00	
12-May-11	2011-20-139	6,728.75	7,478.75	Yes
17-May-11	2011-41-110	8,436.53	9,186.53	
19-May-11	2011-20-142	2,207.42	2,957.42	
19-May-11	2011-20-143	2,595.10	3,345.10	Yes
19-May-11	2011-20-144	3,014.30	3,764.30	Yes
19-May-11	2011-20-145	5,514.20	6,264.20	
19-May-11	2011-20-146	3,014.30	3,764.30	Yes
24-May-11	2011-10-121	2,108.83	2,858.83	
25-May-11	2011-10-123	44,480.00	64,580.00	
25-May-11	2011-50-110	3,980.00	4,730.00	
25-May-11	2011-50-111	1,440.00	2,190.00	Yes
27-May-11	2011-10-108	3,000.00	3,750.00	Yes
27-May-11	2010-10-126	2,108.83	2,858.83	
27-May-11	2011-20-148	3,773.21	4,523.21	
27-May-11	2011-20-149	2,207.42	2,957.20	Yes
27-May-11	2011-20-150	2,595.10	3,345.10	
27-May-11	2011-20-151	3,157.00	3,907.00	
27-May-11	2011-30-106	4,331.29	5,081.29	
27-May-11	2011-30-107	4,331.29	5,081.29	Yes
27-May-11	2011-30-108	4,331.29	5,081.29	Yes
31-May-11	2011-20-147	867.92	1,617.92	
31-May-11	2011-20-152	5,300.00	6,050.00	Yes
31-May-11	2011-20-153	510.00	1,560.00	
2-Jun-11	2011-20-155	2,207.42	2,957.42	
2-Jun-11	2011-20-156	3,014.30	3,764.30	
2-Jun-11	2011-20-157	3,545.06	4,295.06	
2-Jun-11	2011-51-112	1,725.00	2,475.00	
3-Jun-11	2011-20-159	2,430.00	7,530.00	
6-Jun-11	2011-51-113	2,610.00	3,360.00	
6-Jun-11	2011-51-114	1,725.00	2,475.00	Yes
8-Jun-11	2011-20-160	5,514.20	6,264.20	
8-Jun-11	2011-20-161	810.00	1,560.00	
8-Jun-11	2011-20-162	3,014.30	3,764.30	Yes

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Second Quarter 2011

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (outside Residential Planning Area)				
8-Jun-11	2011-20-163	3,773.21	4,523.21	
8-Jun-11	2011-20-164	3,014.30	3,764.30	
8-Jun-11	2011-30-101	4,331.29	5,081.29	Yes
8-Jun-11	2011-30-102	4,331.29	5,081.29	
8-Jun-11	2011-30-110	4,331.29	5,081.29	Yes
9-Jun-11	2011-51-115	1,421.01	2,171.01	Yes
13-Jun-11	2011-50-115	2,961.54	3,711.54	
15-Jun-11	2011-20-165	450.00	1,200.00	
15-Jun-11	2011-41-111	59,142.00	67,392.00	
16-Jun-11	2011-50-103	3,440.00	4,190.00	
16-Jun-11	2011-50-117	13,162.00	16,162.00	
16-Jun-11	2011-50-118	2,310.00	3,060.00	Yes
16-Jun-11	2011-51-116	2,370.21	3,120.21	
17-Jun-11	2011-30-109	4,331.29	5,081.29	
17-Jun-11	2011-30-112	21,050.00	24,050.00	
17-Jun-11	2011-31-103	9,116.68	11,066.68	
17-Jun-11	2011-41-112	5,435.86	6,185.86	Yes
21-Jun-11	2011-10-135	600.00	1,350.00	Yes
22-Jun-11	2011-20-115	14,820.00	15,270.00	
24-Jun-11	2011-20-169	2,595.10	3,345.10	
28-Jun-11	2011-20-170	1,035.00	1,785.00	
28-Jun-11	2011-20-171	3,014.30	3,764.30	
28-Jun-11	2011-51-117	2,370.00	3,420.00	
29-Jun-11	2011-40-117	3,511.68	4,261.68	
30-Jun-11	2011-20-172	2,207.42	2,957.42	
30-Jun-11	2011-20-173	2,207.42	2,957.42	
GENERAL SERVICE				
15-Apr-11	2011-41-107	575,360.00	582,285.00	
25-Apr-11	2011-40-112	4,318.00	11,640.00	
28-Apr-11	2011-51-108	5,208.08	8,213.08	Yes
2-May-11	2011-20-126	15,650.00	18,200.00	
3-May-11	2011-20-135	7,020.00	17,820.00	Yes
13-May-11	2011-51-110	6,970.00	9,520.00	
3-Jun-11	2011-50-112	3,505.00	20,455.00	Yes
15-Jun-11	2011-10-129	4,535.00	10,965.00	
16-Jun-11	2011-50-114	12,253.00	21,905.00	
18-Jun-11	2011-10-128	1,500.00	3,150.00	
22-Jun-11	2011-20-140	45,190.00	47,740.00	
22-Jun-11	2011-30-100	32,876.20	43,392.20	
22-Jun-11	2011-30-111	3,920.00	9,535.00	
24-Jun-11	2011-40-115	2,600.00	9,480.00	

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
P.O. Box 8910
St. John's, NL A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

May 12, 2011

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

Enclosed are eleven copies of Newfoundland Power Inc.'s Quarterly Regulatory Report for the quarter ending March 31, 2011.

The report is divided into five sections: Quarterly Summary; Capital Expenditure Progress; Inter-Company Transactions; Customer Property Damage Claims; and Contribution In Aid of Construction Activity.

If you have any questions on the enclosed, please contact the undersigned at the direct number noted below.

Yours very truly,

Gerard M. Hayes
Senior Counsel

Enclosures

c. Geoffrey P. Young
Newfoundland & Labrador Hydro

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
P.O. Box 8910
St. John's, NL A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

April 1, 2011

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, Newfoundland A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies & Gentlemen:

Please find enclosed the original and twelve copies of Newfoundland Power Inc.'s Annual Report to the Board for 2010, filed pursuant to section 59(2) of the *Public Utilities Act*.

I trust the enclosed are found to be in order, however should you have any questions please contact the undersigned at the direct number noted below.

Yours very truly,

Gerard Hayes
Senior Counsel

Enclosures

c. Geoff Young
Newfoundland & Labrador Hydro

NEWFOUNDLAND POWER
A FORTIS COMPANY

2010 Annual Report

In Good Hands.

Corporate Profile

Newfoundland Power Inc. ("Newfoundland Power") operates an integrated generation, transmission and distribution system throughout the island portion of Newfoundland and Labrador.

For over 125 years, we have provided customers with safe, reliable electricity in the most cost-efficient manner possible. Our Company serves over 243,000 customers, 86% of all electricity consumers in the province.

Our employees continue to provide our customers with the service they expect and deserve in an environmentally and socially responsible manner.

Our vision is to be a leader among North American electric utilities in terms of safety, customer service, reliability and efficiency.

All the common shares of Newfoundland Power are owned by Fortis Inc. ("Fortis") (TSX:FTS), the largest investor-owned distribution utility in Canada, which serves approximately 2,100,000 gas and electricity customers, and has assets exceeding $12.5 billion.

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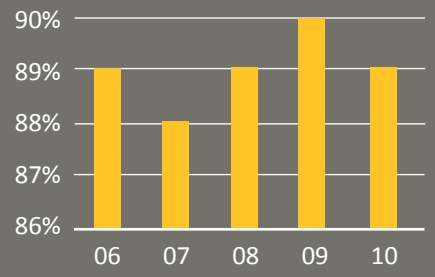
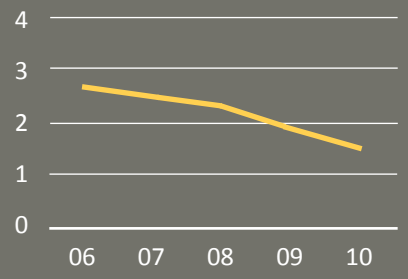
Rick Slade, Operations, Carbonear

2010 Highlights

Customer Satisfaction Rating



Outages per Customer*



*Excluding major storm impacts.

Financial	2010	2009
Revenue *($000s)*	554,950	527,179
Property, Plant and Equipment *($000s)*[1]	1,212,810	1,230,371
Long-term Debt *($000s)*	478,688	482,388
Common Shareholders' Equity *($000s)*	400,502	381,185
Earnings Applicable to Common Shares *($000s)*	35,005	32,628
Earnings per Common Share *($)*	3.39	3.16
Operating		
Customers *(#)*	243,426	239,307
Customer Satisfaction Rating *(%)*	89	90
Generating Capacity *(MW)*	140.4	140.1
Transmission and Distribution Line *(km)*	11,072	10,957
Substations *(#)*	130	130
Peak Demand *(MW)*	1,206	1,219
Electricity Sales *(GWh)*	5,419	5,299

[1] *Excluding accumulated amortization.*

Junior House, Operations, Stephenville

Report to Shareholders

Delivery of quality customer service and efficient operations remain in good hands with our employees. The Company's annual customer satisfaction rating of 89% confirms that customers viewed our overall performance in 2010 positively, despite being impacted by two severe storms throughout the year. In March, we were impacted by one of the worst ice storms to hit the province in 25 years. It damaged 8 main transmission lines and left over 10,000 customers without power on the Northeast Avalon and Bonavista Peninsulas. In September, the effects of Hurricane Igor were more wide spread, leaving approximately 100 communities across the island isolated or in states of emergency. Approximately 77,000 customers were left without power as a result of downed power lines caused by high winds and severe flooding.

Our first priority was to restore power to our customers in the safest, most efficient manner possible. During both storms, we immediately mobilized crews from across the island and called in additional equipment and resources from our contractors, Newfoundland and Labrador Hydro ("Hydro") and other Fortis utilities. We spent over $6.0 million in capital expenditures to repair damage to our electricity system and over $1.5 million in additional operating costs as a result of storms.

We maintained close contact with affected customers through timely media updates and one on one conversations with customers. Particular attention was given to emergency service providers, such as fire departments, hospitals, the Red Cross and municipal leaders. Our employees' dedicated performance during the ice storm resulted in the Company receiving the 2010 Business of the Year Award from the Town of Bonavista.

In addition to overcoming the challenges brought by severe weather, we maintained our focus on safety; invested in the continued reliability of our electricity system; expanded our energy efficiency efforts; and, strengthened relationships with our environmental and community partners.

To improve the safety of our contractors, we introduced several new initiatives in 2010, including: electrical safety training for pole and vegetation contractors; quarterly meetings with contractor owners; and, increased safety inspections and work observations. As part of our pursuit to educate the public about electrical safety, we launched a new print advertising campaign in 2010, "The Power of…", which has been recognized with an Award of Merit by the provincial chapter of the International Association of Business Communicators ("IABC").

The investments we make in our electricity system each year serve to maintain our strong level of reliability. Capital investments totalling in excess of $300 million over the last 5 years, including $78.4 million in 2010, have not only helped to upgrade and reinforce our province's electricity system, but allowed us to maintain its integrity in one of the harshest electrical operating environments in the country. We invested approximately half of our capital expenditures to connecting a record 5,300 new customers and meeting their electricity requirements, and the other 50% to upgrading components of our electricity system.

Customer convenience has also been an ongoing focus for Newfoundland Power. Our corporate website has undergone substantial changes to increase self service options and enhance customer convenience. In 2010, we answered more than 285,000 calls at our Customer Contact Centre, and recorded approximately 2.6 million electronic interactions with our customers.

Our **takeCHARGE – Saving Energy Starts Here!** partnership with Hydro helped to exceed our 2010 energy savings goal of 4.4 gigawatt hours ("GWh") by 0.6 GWh. In excess of 3,600 customers benefited from the Energy Savers Rebate Programs, and more than 100 municipalities in the province signed up to participate in our **takeCHARGE of Your Town Challenge**, pledging to reduce their town's collective energy usage. Energy efficiency education and awareness also expanded to include the use of social media in 2010, adding Facebook and YouTube as new avenues of customer communication.

POWER
A FORTIS COMPANY

A combined external audit of the Company's Health and Safety Management System and Environment Management System verified our continued compliance with the 18001 Occupational Health and Safety Assessment Series ("OHSAS") and the ISO 14001 international standard. The audit confirmed our facilities are well maintained and that employees continue to demonstrate a commitment to working in a safe and environmentally responsible manner.

Our earnings of $35.0 million in 2010 increased by $2.4 million over 2009. Higher electricity sales of 5,419 GWh in 2010, an increase of 2.3% over 2009, were due to customer growth combined with a higher than average use of electricity. Through operation of the Automatic Adjustment Formula, the Company's rate of return on common equity, for the purpose of setting electricity rates, will be reduced from 9.00% in 2010 to 8.38% in 2011. The Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB") also approved changes in accounting practices for future retiree benefits costs, effective January 1, 2011.

A new Support Structure Agreement ("Agreement") was signed with Bell Aliant regarding joint-use poles and related infrastructure. Bell Aliant will buy back approximately 40% of these poles, with the Company responsible for the construction and maintenance of Bell Aliant's support structure requirements throughout 2011. The Agreement is subject to approval by the PUB and is expected to close in 2011.

We wish to thank our employees for offering their talents, hard work and commitment throughout the year. Our ability to deliver safe, reliable electricity while providing our customers with a high standard of service is a credit to their valued contributions.

Newfoundland Power's Board of Directors provided another year of sound leadership in 2010. We express our sincerest appreciation for their continued support and direction. We thank Mr. David Norris, who retired from our Board after 7 years of service, 4 as Chair of the Board, Mr. Edward Drover, who retired after 6 years of service, and Mr. John Walker, who resigned after 5 years of service, for their unique perspective and guidance. We congratulate Ms. Peggy Bartlett, a Board member for the past 5 years, on her appointment as our new Chair, and welcome our newest members, Mr. Edward Murphy and Ms. Nora Duke.

Our employees' unrelenting dedication to putting safety first, developing relationships with our customers, preserving our environment and serving our communities, has shaped the way we do business in Newfoundland and Labrador. As a Company, we are committed to continuing this proud tradition.

Sincerely,

Earl Ludlow
President and Chief Executive Officer

Peggy Bartlett
Chair, Board of Directors

Ed Corrigan, Operations, St. John's

In Safe Hands.

Our focus on establishing a safety culture aimed at eliminating workplace accidents has yielded a significant reduction in the number of days our employees have been off the job because of work related injuries.

Our innovative use of technology allowed us to create an important connection between safety leaders and employees across the island in 2010. Using web based software we communicated annual safety objectives and targets to the entire Company and addressed safety related questions in real time. Working toward improving workplace safety, we provided safety training tailored to field supervisors and conducted workshops for Linecrew Lead Hands. Our concentration on Meter Reader safety resulted in this group achieving 2 consecutive years with no lost-time incidents.

We introduced several new safety initiatives as part of our goal to improve contractor safety, including: electrical safety training for pole and vegetation contractors; quarterly meetings with contractor owners; and, increasing the number of safety inspections and contractor work observations conducted each year. We also worked with the Workplace Health and Safety Compensation Commission and Hydro in response to the growing number of contacts third-party contractors have with the electricity system. This collaboration resulted in providing contractors and heavy equipment operators across the province with detailed information about how to identify, avoid and deal with the electrical hazards they could potentially encounter while on the job.

Throughout 2010, we reviewed electrical arc flash requirements for transmission and distribution operations, and completed training in the protection required to guard against arc flash hazards during the installation and removal of meters. We increased focus on public safety with the launch of our new marketing brand, “The Power Of…”, which features both safety and community focused messaging. This campaign was recognized with a Pinnacle Award of Merit by the provincial chapter of IABC.

Our history of educating our communities about electrical safety remains strong. In 2010, we provided electrical safety seminars to over 240 firefighters. With the help of our retirees and employee volunteers, we educated approximately 3,000 school children about electrical hazards. The Company also provided electrical safety training to the Newfoundland and Labrador Construction Association and municipalities across the province.

The completion of an external audit of our Health and Safety Management System in 2010 confirmed our continued compliance with the OHSAS 18001 Health and Safety Management System international standard.

Our first priority is the safety of our employees, contractors and the public. We are committed to providing the education and training necessary to ensure the safety of our operations each and every day. Our goal is, and always will be, zero accidents!

Danny Blanchard, Operations, Stephenville

In Reliable Hands.

2010 was marked by two major storms. The worst ice storm to hit the province in 25 years caused extensive damage to 8 of our main transmission lines on the Northeast Avalon and Bonavista Peninsulas, leaving over 10,000 customers without power. High winds and severe flooding during Hurricane Igor left approximately 100 communities across the province isolated or in states of emergency and approximately 77,000 customers without power. In both instances, we immediately mobilized crews from across the island, and called in additional equipment and resources from our contractors, Hydro and other Fortis utilities. More than 400 people worked to restore power to our customers during Hurricane Igor, using ATVs, boats and helicopters to reach communities rendered otherwise inaccessible.

Capital investments totalling in excess of $300 million over the last 5 years have not only helped to upgrade and reinforce our electricity system, but have allowed us to maintain its integrity in one of the harshest electrical operating environments in the country. The average length of outages experienced by our customers, excluding severe storm impacts, remained consistent with last year's record reliability performance.

We invested approximately half of our $78.4 million in capital expenditures to connect a record 5,300 new customers to the province's electricity system and complete projects to accommodate increased electricity requirements. This included investing approximately $30.0 million to construct distribution lines to service new customers across the island and $7.7 million to accommodate increased electricity demand at our Deer Lake and Mobile substations.

50% of our 2010 capital spending also involved upgrading components of our electricity system. We invested approximately $15.0 million to upgrade customer distribution lines across the island and $5.5 million on increasing operating efficiencies at our Lookout Brook, Petty Harbour and Seal Cove hydroelectric plants. We invested approximately $6.0 million to repair damage resulting from storm impacts and dedicated another $5.2 million to ensure the reliability of our substations.

We continued our mobile technologies project, installing computers in additional trucks in our fleet. This increased the number of field employees with real time access to critical safety, operational and environmental information. The Company will incorporate mobile technology across its entire fleet by the end of 2011.

To provide safe, reliable electricity to our customers we continue to make strategic capital investments in our electricity system every year. We plan to invest an additional $73.0 million in 2011.

Paul Smith, Customer Relations, Stephenville

In Friendly Hands.

In 2010, our island wide customer satisfaction survey showed that our connection to customers remains strong, with an average annual rating of 89%.

When severe weather conditions impacted our electricity system in 2010 we maintained close contact with our customers and communities while restoring power in the safest, most efficient manner possible. We worked with the media to give timely outage restoration updates to our customers and remained in direct contact with firefighters, police and critical public safety facilities. During Hurricane Igor, we extended the hours of our Customer Contact Centre to 24 hours and suspended normal business calls for the first time in our Company's history. Over approximately 6 days, we answered in excess of 30,000 weather related calls and 850 emails. We also launched our corporate Twitter account, providing online and mobile updates to customers. The Company's use of Twitter has since expanded to include messaging related to recruitment and daily operational functions, such as electrical safety, customer service and community related events.

Working toward enhancing customer convenience, we expanded the self service options available on our corporate website, newfoundlandpower.com. New improvements introduced in 2010 allow customers the ability to make web and phone based payment arrangements, submit their own meter readings online and interact with us 24 hours a day. An increased number of customers are using electronic means to communicate with us. Throughout the year, we recorded approximately 2.6 million electronic interactions with our customers. The number of email service requests received by our Customer Contact Centre has steadily increased from 24,000 in 2007 to approximately 40,000 in 2010.

Our advertising campaign to encourage customers to join our electronic billing ("ebills") program serves to enhance customer convenience and positively impact our environment. To date, more than 35,000 customers have signed up for ebills.

Automated Meter Reading ("AMR") technology is now the standard for all new meter installations across the province. This technology improves safety and accessibility, reduces the need for bill estimates and allows for the consolidation of meter reading routes. To date, more than 30,000 properties across the island have been equipped with AMR capabilities.

Every one of our dedicated employees has a hand in providing service excellence to our customers.

Theresa Critch, Customer Relations, Clarenville

In Efficient Hands.

Our ongoing energy efficiency partnership with Hydro, **takeCHARGE – Saving Energy Starts Here!**, helped us to exceed our energy savings goal of 4.4 GWh by 0.6 GWh in 2010, resulting in overall savings of 5.0 GWh. This is equal to removing approximately 185 electrically heated homes from the province's electricity system for an entire year.

Residential customers who availed of our Energy Savers Rebate Programs received rebates on insulation, programmable and electronic thermostats, and ENERGY STAR® windows. Our commercial customers benefited from rebates on energy efficient lighting. In 2010, we provided rebates to over 3,600 customers and recorded more than 52,000 visits to the **takeCHARGE** website throughout the year, a 4.6% increase over 2009.

The **takeCHARGE** partnership received an Award of Excellence for Traditional Advertising and an Award of Merit for Energy Savers Marketing Communications from the provincial chapter of IABC. We also took a hands on approach to social media, reaching out to customers through Facebook and YouTube for the first time. Each of the sites offer our customers valuable information and tips on how to save energy in their homes and businesses. We used both traditional and social media to promote our first ever **takeCHARGE of Your Town Challenge**. Over 100 municipalities pledged to take action to reduce the energy they use.

takeCHARGE also focused on educating and interacting with customers one on one. To do this, we set up information booths at building supply stores, and presented at tradeshows and customer conferences. Each presentation was tailored to address the needs of specific audiences, including retailers and suppliers, senior citizens, and youth. We celebrated our second annual **takeCHARGE** Energy Efficiency Week in Newfoundland and Labrador, and talked with our customers about how to save energy and money. Other promotions featured the addition of new "how-to" videos to the **takeCHARGE** website and educational appearances on local television.

We completed several energy efficiency upgrades to our electricity system, plants and corporate buildings across the island. Such projects involved completing energy audits at a number of our facilities, improving operating efficiencies at our hydroelectric generating plants and installing energy efficient lighting in our office buildings.

Our goal is to provide our customers with the knowledge and tools they need to make informed decisions about how to reduce their electricity usage, save money and positively impact our environment.

Cathy Dormody, Human Resources, St. John's

In Caring Hands.

Our corporate success stems from the contributions our employees make, both individually and collectively, to our daily operations.

Early in the year, we conducted a survey to enhance employee communication and garner our employees' opinions about topics including safety, leadership, work environment and employee appreciation. Suggestions about what works well and what needs improvement initiated detailed action plans aimed at improving the efficiency of safety meetings, effective communication across all levels of the Company, and employee recognition and development.

As part of our workforce and succession planning we remain concentrated on the areas of recruitment, critical knowledge transfer and retirement. In 2010, we held a series of retirement planning presentations for employees across the island, and offered detailed information sessions around health coverage and retirement benefits. Employee development opportunities are made available through our newly revised mentoring program, lunch and learns, job shadowing and temporary work assignments. We also expanded our recruitment and awareness efforts to include high school students, remained active in career fairs at Memorial University of Newfoundland and College of the North Atlantic campuses and, continued our support of Engineering and Business Cooperative Programs, welcoming 17 work term students to our team.

We maintained our Power Line Technician Apprenticeship Program to facilitate the critical transfer of knowledge from senior employees to apprentices. During the year, 4 of our apprentices became Power Line Technicians, and we added additional recruits to the program, bringing our total complement of apprentices to 27.

We also focused on several employee enhancement opportunities throughout the year, including: development plans for new engineers; job specific safety training for employees in lead operational roles; and, training in critical skills for field supervisors.

As part of our corporate commitment to health and wellness, our employees benefit from several in-house services. These include in-house Employee Assistance Program services and a variety of health and wellness seminars. We also offered several programs through our Occupational Health Nurse in 2010, including: early and safe return to work seminars; flu vaccinations; blood pressure monitoring; fitness programs; weight loss clinics; and, healthy lifestyle advice.

Investing in the well being and development of our employees is an investment in the future success of our Company.

Brian Malone, Information Services, St. John's

In Responsible Hands.

We take our pledge to operate in an environmentally responsible manner very seriously. In 2010, we completed several capital projects aimed at reducing the environmental risks associated with operating our electricity system. Projects included installing new, more environmentally friendly circuit breakers at our Mobile, Deer Lake and Kenmount substations, and modernizing equipment at our Lookout Brook hydroelectric plant to better manage water usage. We continued with the replacement of streetlights across the island with energy efficient High Pressure Sodium lights. The new lights provide the same quality lighting while consuming 35% less energy.

To reduce the risk of corrosion and potential oil leaks, we replaced over 500 deteriorated transformers with stainless steel units throughout our service territory. We continued removing and disposing of PCB oil-filled electrical equipment. Approximately 82% of our distribution feeders and 92% of our substations have now been completed under our PCB Phase-out Program.

To aid in managing potential environmental emergency situations, we completed 6 emergency preparedness and response tests throughout the year. These tests ensure our employees are aware of, and prepared for, what must be done in the event of an actual environmental emergency.

An external audit of our Environmental Management System in 2010 verified our continued compliance with the ISO 14001 international standard. This audit confirmed that our facilities are well maintained and our employees continue to demonstrate a commitment to working in an environmentally responsible manner.

We celebrated the 13th anniversary of our annual employee-driven *EnviroFest* events. During Environment Week, we hosted 8 events across the island attended by thousands of people, and over 300 community groups and organizations. Over the years, our employees and community volunteers have successfully completed more than 50 beautification projects throughout the province.

To reinforce the importance of being environmentally responsible in our daily operations, we provided environmental training to almost 420 employees and contractor employees in 2010.

We pride ourselves on taking a leadership role in creating public awareness and stewardship aimed at preserving our environment for future generations.

Dianna Ryan, Regional Operations, St. John's

In Helping Hands.

With employees living and working across the island we have a connection to hundreds of communities in the province. Our employees use their talents and skills to operate cohesively as a team, and go above and beyond as individuals to make a personal difference in their communities.

In 2010, we partnered with the Dr. H. Bliss Murphy Cancer Care Foundation to open the Newfoundland Power Four Dimensional CT Simulator Suite at the Cancer Centre in St. John's. The Suite is only the second of its kind in the province, and houses technology that enables cancer care teams to enhance the accuracy of radiation treatment planning.

Our corporate charity, *The Power of Life Project*, concluded the year on a high note with donations totalling over $200,000 to improve cancer care in Newfoundland and Labrador. The commitment of our employees and retirees to organizing and participating in annual fundraising activities, coupled with a corporate donation and monthly donations from our employees and customers, continue to benefit cancer patients and their families. *The Project* works closely with the Dr. H. Bliss Murphy Cancer Care Foundation and cancer centres across the island to identify and address area specific needs.

In 2010, *The Power of Life Project* furnished the atrium at the Grand Falls-Windsor Cancer Centre; donated an ice machine to the G. B. Cross Memorial Hospital in Clarenville; purchased chemotherapy recliners for the Sir Thomas Roddick Hospital in Stephenville and Burin Peninsula Health Care Centre; decorated the Newfoundland Power Suite with a visual art mural; increased support for children living with cancer attending Camp Delight; and, refurbished and restocked our toy chest for children undergoing radiation treatment. *The Power of Life Project* has donated in excess of $2.0 million toward equipment, patient and family support funds, research, and treatment and awareness initiatives in this province!

We augmented our commitment to improving cancer care through another successful collaboration with Motorcycle Ride for Dad. We assisted with education and awareness initiatives and hosted more than 600 bikes at our corporate headquarters on Ride Day, which raised over $150,000 for prostate cancer.

In doing our part to promote tourism in our province, we supported the newly expanded East West North Summer Expo and the province's Cupids 400 celebrations. We continued our commitment to the province's youth by once again working with community partners to present the Newfoundland and Labrador Winter Games, held this year in Grand Falls-Windsor.

Our employees also supported several other community initiatives in 2010, including: collecting money and food at Christmas parades for local charities and food banks; gathering warm winter clothing for the Coats for Kids campaign; volunteering to deliver food as part of the Meals on Wheels initiative; and, entering corporate teams in fundraising events like CIBC Run for the Cure and the Arthritis Jingle Bell Walk and Run.

Our employees' dedication to giving the gift of life once again resulted in exceeding our annual target of 300 blood donations. Since joining Canadian Blood Services' *Partners for Life* program in 2004, our employees and their families have made approximately 2,000 blood donations, helping to save up to 6,000 lives.

Delivering safe, reliable electricity to our customers is what we do . . . giving back to our communities is who we are.

Management Discussion and Analysis

Dated February 10, 2011

The following Management Discussion and Analysis ("MD&A") should be read in conjunction with Newfoundland Power Inc.'s (the "Company" or "Newfoundland Power") annual financial statements and notes thereto for the year ended December 31, 2010. The MD&A has been prepared in accordance with National Instrument 51-102 Continuous Disclosure Obligations. Financial information herein reflects Canadian dollars and Canadian generally accepted accounting principles ("Canadian GAAP"), including certain accounting practices unique to rate regulated entities. These accounting practices, which are disclosed in Notes 2 and 4 to the Company's 2010 annual audited financial statements, result in the recognition of revenues, expenses, regulatory assets and regulatory liabilities which would not occur in the absence of rate regulation and which affect the Company's reported earnings, cash flows and financial position.

Certain information herein is forward-looking 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 reflects management's current beliefs and is based on information currently available to the Company's management. The forward-looking information in this MD&A includes, but is not limited to, statements regarding: expectations to generate sufficient cash to complete required capital expenditures, and to service interest and sinking fund payments on debt; meeting pension funding requirements; no material adverse credit rating actions expected in the near-term; the Company's belief that it does not anticipate any difficulties in issuing bonds on reasonable market terms; and, the forecast gross capital expenditures for 2011.

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; continued electricity demand; no significant operational disruptions or environmental liability due to severe weather or other acts of nature; no significant decline in capital spending in 2011; sufficient liquidity and capital resources; the continuation of regulator-approved mechanisms that permit recovery of costs; no significant variability in interest rates; no significant changes in government energy plans and environmental laws; the ability to obtain and maintain insurance coverage, licences and permits; the ability to maintain and renew collective bargaining agreements on acceptable terms; and, sufficient human resources to deliver service and execute the capital program.

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: regulation; operating and maintenance; economic conditions; defined benefit pension plan performance; capital resources and liquidity; interest rates; electricity prices; purchased power cost; health, safety and the environment; insurance; weather; changes in accounting standards; information technology infrastructure; labour relations; and, human resources. For additional information with respect to these risk factors, reference should be made to the section entitled "Business Risk Management" in this MD&A.

All forward-looking information in this MD&A is qualified in its entirety by this cautionary statement and, except as required by law, the Company 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.

Additional information, including the Company's quarterly and annual financial statements and MD&A, annual information form and management information circular, is available on SEDAR at sedar.com.

OVERVIEW

The Company

Newfoundland Power is a regulated electricity utility that owns and operates an integrated generation, transmission and distribution system throughout the island portion of the Province of Newfoundland and Labrador. All the Company's common shares are owned by Fortis Inc. ("Fortis"), which is principally a diversified, international holding company for electricity and gas distribution utilities.

Newfoundland Power's primary business is electricity distribution. It generates approximately 7% of its electricity needs and purchases the remainder from Newfoundland and Labrador Hydro ("Hydro"). Newfoundland Power serves over 243,000 customers, approximately 86% of all electricity consumers in the province.

Newfoundland Power's vision is to be a leader among North American electricity utilities in terms of safety, reliability, customer service and efficiency. The key goals of the Company are to operate sound electricity distribution systems, deliver safe, reliable electricity to customers at the lowest reasonable cost, and conduct business in an environmentally and socially responsible manner.

Regulation

Newfoundland Power is regulated by the Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB"). The Company operates under cost of service regulation whereby it is entitled the opportunity to recover, through customer rates, all reasonable and prudent costs incurred in providing electricity service to its customers, including a just and reasonable return on its rate base. The rate base is the value of the net assets required to provide electricity service.

Between general rate hearings, customer rates are established annually through an automatic adjustment formula (the "Formula"). The Formula sets an appropriate rate of return on common equity ("ROE") which is used to determine the rate of return on rate base. Pursuant to the 2010 General Rate Application ("2010 GRA"), the Company's rate of return on rate base for ratemaking purposes was set at 8.23%, with a range of 8.05% to 8.41%, for 2010. This reflects a regulated ROE of 9.00% for 2010 compared to 8.95% for 2009. Customer rates increased by an average of approximately 3.5% effective January 1, 2010.

The 2010 GRA provided for revenue and costs changes as well as the amortization of certain regulatory assets and liabilities, and the creation of a pension expense variance deferral account ("PEVDA"). The PEVDA deals with differences between defined benefit pension expense calculated in accordance with Canadian GAAP and pension expense approved by the PUB for rate setting purposes.

On March 12, 2010, the Company submitted an application to the PUB with proposed changes to the existing Formula. In this application, Newfoundland Power proposed use of the forecast long-term Canada Bond yields in determining the risk-free rate for calculating the forecast cost of equity to be used in the Formula for 2011 and 2012. The application received PUB approval on April 20, 2010. The previous approach used a 10-day observation of long-term Canada Bond yields as the forecast risk-free rate.

On June 30, 2010, the Company submitted an application to the PUB proposing, effective January 1, 2011: (i) the adoption of the accrual method of accounting for Other Post-Employment Benefits ("OPEBs"); (ii) the amortization of the regulatory asset composed of accumulated costs that were not recognized as an expense in previous years; and (iii) the creation of an OPEBs cost variance deferral account. This account will deal with the differences between annual OPEBs expense, calculated in accordance with Canadian GAAP, and OPEBs expense approved by the PUB for rate setting purposes. The application received PUB approval on December 10, 2010.

Financial Highlights

	2010	2009	Change
Electricity Sales *(gigawatt hours ("GWh"))*[1]	5,419.0	5,299.0	120.0
Earnings Applicable to Common Shares			
$ Millions	35.0	32.6	2.4
$ Per Share	3.39	3.16	0.23
ROE *(%)*[2]	8.96	8.64	0.32
Cash Flow from Operating Activities *($millions)*	94.6	59.4	35.2
Total Assets *($millions)*[3]	1,191.1	1,165.2	25.9

1 *Reflects normalized electricity sales.*
2 *Earnings applicable to common shares, divided by the average of common shareholders' equity at the beginning and end of the year. This ratio is a non-GAAP financial measure, does not have any standardized meaning prescribed by GAAP and is unlikely to be comparable to similar ratios published by other companies. It is presented because it is commonly referred to by the users of the Company's financial statements in evaluating the results of operations and by the Company's regulator in the rate-setting process.*
3 *Certain comparative figures have been reclassified to comply with the current year's presentation.*

Electricity sales for the year ended December 31, 2010, increased by 120 GWh or 2.3% compared to 2009. The increase in electricity sales was composed of an increase of: (i) 1.7% due to customer growth; and (ii) 0.6% due to higher average consumption.

Earnings for the year ended December 31, 2010, increased $2.4 million from $32.6 million in 2009 to $35.0 million in 2010. Approximately half of the increase was the result of the 3.5% increase in customer rates which was effective January 1, 2010, reflecting rate base growth and a higher ROE embedded in customer rates. The remaining increase in earnings resulted from operational performance during 2010 which varied from the forecasts used to establish customer rates. The primary variances were: (i) higher than anticipated electricity sales; (ii) lower effective income tax rate; (iii) lower financing costs; (iv) higher operating costs, primarily related to Hurricane Igor; and (v) higher purchased power costs due to higher water inflows associated with the Company's hydroelectric generating facilities, partially offset by lower billing demand charges and lower electricity system losses.

The actual ROE in both 2010 and 2009 is broadly consistent with that reflected in customer rates.

The increase in cash flow from operating activities of $35.2 million primarily reflects the: (i) January 1, 2010, customer rate increase; (ii) higher electricity sales; (iii) lower income tax instalments, partially offset by; (iv) higher interest payments; and (v) timing of payments to vendors.

Total assets increased by $25.9 million at December 31, 2010, compared to December 31, 2009. The increase was predominantly due to continued investment in the electricity system, and is consistent with the Company's strategy to provide safe, reliable electricity service at the lowest reasonable cost.

RESULTS OF OPERATIONS

Revenue:

($millions)	2010	2009	Change
Revenue from Rates	537.6	508.8	28.8
Amortization of Regulatory Liabilities and Deferrals	5.3	6.0	(0.7)
Other Revenue[1]	12.1	12.4	(0.3)
Total	555.0	527.2	27.8

[1] *Other revenue is composed largely of pole attachment charges to various telecommunication companies.*

Revenue from rates increased by $28.8 million, from $508.8 million in 2009 to $537.6 million in 2010. The increase primarily resulted from the January 1, 2010, customer rate increase and electricity sales growth.

The amortization of regulatory liabilities relates to unbilled revenue, municipal tax and the pension expense variance deferral and is in accordance with PUB orders. These regulatory liabilities are described in Notes 2 and 4 to the Company's 2010 annual audited financial statements.

Other revenue decreased by $0.3 million, from $12.4 million in 2009 to $12.1 million in 2010. The decrease was primarily related to land sales in 2009.

Purchased Power: Purchased power expense increased by $12.7 million, from $345.7 million in 2009 to $358.4 million in 2010. The increase was primarily due to electricity sales growth and higher water inflows associated with the Company's hydroelectric generating facilities.

Operating Expense: Operating expense increased by $5.3 million, from $49.3 million in 2009 to $54.6 million in 2010. The increase was mainly a result of: (i) costs associated with Hurricane Igor; (ii) increased conservation costs; (iii) wage and inflationary increases; and (iv) higher retirement and severance expenses. This increase was partially offset by a reduction in costs associated with the 2010 GRA and an increase in general expenses capitalized ("GEC").

Pension and Early Retirement Program Costs: Pension and early retirement program costs increased by $4.9 million, from $2.7 million in 2009 to $7.6 million in 2010. The increase was primarily related to the amortization of 2008 experience losses associated with the pension plan assets and a lower discount rate at December 31, 2009, which was used to determine the Company's accrued benefit pension obligation associated with its defined benefit pension plan.

Amortization: Amortization of property, plant and equipment and intangible assets increased by $1.6 million, from $41.8 million in 2009 to $43.4 million in 2010. Higher amortization was associated with capital and intangible asset expenditures of $78.4 million in 2010.

Amortization True-Up Deferral: Amortization of property, plant and equipment and intangible assets is subject to periodic review by external experts via an amortization study. Based on a 2002 amortization study, the PUB ordered the deferred recovery of approximately $11.6 million, $5.8 million in each of 2006 and 2007, related to a variance in accumulated amortization. These deferrals were recorded as an increase in regulatory assets and a decrease in expenses in each year and were amortized evenly over 2008 through 2010.

Finance Charges: Finance charges increased by $1.0 million, from $34.6 million in 2009 to $35.6 million in 2010. The increase primarily related to higher interest costs associated with the May 2009 first mortgage sinking fund bond issue.

Income Taxes: Income tax expense decreased by $0.2 million, from $16.1 million in 2009 to $15.9 million in 2010. The decrease primarily reflects a lower effective income tax rate partially offset by higher pre-tax earnings. The lower effective income tax rate related primarily to a reduction in the: (i) statutory tax rate; (ii) timing of pension funding; and (iii) the allocation of the Part VI.1 tax liability and related Part I tax deduction from Fortis to Newfoundland Power in 2010. This was partially offset by the income tax treatment of regulatory amortizations and deferrals.

FINANCIAL POSITION

Explanations of the primary causes of significant changes in the Company's balance sheets between December 31, 2009, and December 31, 2010, follow:

($millions)	Increase (Decrease)	Explanation
Income Taxes Payable (Net)	8.5	Increase reflects current income tax expense in excess of income tax instalments paid. Lower instalments were required in 2010 based upon 2009 income taxes.
Assets Held for Sale	44.7	Represents reclassification of assets from *Property, Plant and Equipment* related to the new Support Structure Agreement which provides for Bell Aliant Regional Communications Inc. ("Bell Aliant") to purchase 40% of all the Company's joint-use poles. This transaction is subject to PUB approval and is expected to close in 2011. See "Outlook" section of this MD&A.
Property, Plant and Equipment	(10.8)	Decrease due to reclassification of assets to *Assets Held for Sale*; amortization; and, customer contributions in aid of construction, partially offset by investment in the electricity system, in accordance with 2010 capital expenditure program.
Other Post-Employment Benefits	5.9	Increase in post-employment benefits related to accrual of benefits earned during 2010.
Long-term Debt, including Current Portion	(3.8)	Decrease reflects less debt required due to higher operating cash flows, lower common share dividends payments and annual sinking fund redemption of outstanding first mortgage sinking fund bonds.
Retained Earnings	19.3	Earnings, in excess of dividends, retained to finance rate base growth.

LIQUIDITY AND CAPITAL RESOURCES

The primary sources of liquidity and capital resources are net funds generated from operations, debt capital markets and bank credit facilities. These sources are used primarily to satisfy capital and intangible asset expenditures, service and repay debt, and pay dividends. A summary of cash flows and cash position for 2010 and 2009 follows:

($millions)	2010	2009	Change
Cash, Beginning of Year	5.3	0.6	4.7
Operating Activities	94.6	59.4	35.2
Investing Activities	(75.4)	(69.6)	(5.8)
Financing Activities			
Proceeds from Long-term Debt, Net of Issue Costs	-	64.6	(64.6)
Credit Facility Proceeds (Repayments)	1.5	(18.5)	20.0
Dividends on Common Shares	(15.7)	(25.2)	9.5
Repayment of Long-term Debt	(5.2)	(5.2)	-
Other	(0.9)	(0.8)	(0.1)
	(20.3)	14.9	(35.2)
Cash, End of Year	4.2	5.3	(1.1)

Operating Activities

Cash flow from operating activities totalled $94.6 million in 2010 compared to $59.4 million in 2009. The $35.2 million increase in cash flow from operating activities reflects: (i) the January 1, 2010, customer rate increase; (ii) higher electricity sales; and (iii) timing of income tax payments. This was partially offset by higher interest payments and timing of payments to vendors.

Investing Activities

Cash flow used in investing activities totalled $75.4 million in 2010 compared to $69.6 million in 2009. The $5.8 million increase was due primarily to higher capital expenditures in 2010 compared to 2009.

A summary of 2010 and 2009 capital and intangible asset expenditures follows:

($millions)	2010	2009
Electricity System		
Generation	5.6	8.8
Transmission	6.4	4.4
Substations	9.6	8.2
Distribution	41.3	38.8
Other	13.5	11.1
Intangible Assets	2.0	2.8
Capital and Intangible Asset Expenditures	78.4	74.1

The Company's business is capital intensive. Capital investment is required to ensure continued and enhanced performance, reliability and safety of the electricity system, and to meet customer growth. All costs considered to be repairs and maintenance are expensed as incurred. Capital investment also arises for information technology systems and for general facilities, equipment and vehicles. Capital expenditures, and property, plant and equipment repairs and maintenance expense, can vary from year-to-year depending upon both planned electricity system expenditures and unplanned expenditures arising from weather or other unforeseen events.

The Company's annual capital plan requires prior PUB approval. Variances between actual and planned expenditures are generally subject to PUB review prior to inclusion in the Company's rate base.

The PUB has approved the Company's 2011 capital plan which provides for capital expenditures of approximately $73.0 million, approximately half of which relate to construction and capital maintenance of the electricity distribution system.

Financing Activities

Cash flow used in financing activities totalled $20.3 million in 2010 compared to cash from financing activities of $14.9 million in 2009. The $35.2 million decrease in cash required from financing activities was primarily the result of higher operating cash flows and lower dividends partially offset by higher capital expenditures. The Company's common share dividend policy is to maintain a capital structure composed of 55% debt and 45% common equity. The Company also issued $65 million 6.606%, first mortgage sinking fund bonds on May 25, 2009. The net proceeds from this issuance were used primarily to repay amounts outstanding under the Company's committed credit facility. These amounts were previously borrowed primarily in relation to the Company's capital expenditure program.

The Company has historically generated sufficient annual cash flows from operating activities to service annual interest and sinking fund payments on debt, to pay dividends and to finance a major portion of its annual capital program. Additional financing to fully fund the annual capital program is primarily obtained through the Company's bank credit facilities and these borrowings are periodically refinanced along with any maturing bonds through the issuance of long-term first mortgage sinking fund bonds. The Company currently does not expect any material changes in these basic cash flow and financing dynamics over the foreseeable future, with the exception of an increase in cash flow from the proceeds of the Bell Aliant joint-use pole sale which is expected to extend the timing of the next bond issue.

Debt: The Company's credit facilities are comprised of a $100.0 million committed revolving term credit facility ("Committed Facility") and a $20.0 million uncommitted demand facility. Details follow:

($millions)	2010	2009
Total Credit Facilities	120.0	120.0
Borrowing, Committed Facility	(15.0)	(13.5)
Credit Facilities Available	105.0	106.5

During the third quarter of 2010, the $100.0 million committed facility was renegotiated on similar terms as the previous facility, with an increase in pricing, and matures in August 2013.

Pensions: As at December 31, 2010, the fair value of the Company's primary defined benefit pension plan assets was $269.3 million compared to fair value of plan assets of $242.7 million as at December 31, 2009. The $26.6 million increase in fair value of plan assets was primarily due to improved market conditions. Details of the plan asset changes are included in Note 9 to the Company's 2010 annual audited financial statements.

In 2009, Newfoundland Power received the Actuarial Valuation Report for its defined benefit pension plan. This report included the funding status of the plan as at December 31, 2008, on a going concern and solvency basis.

The going concern and solvency valuation was based on an adjusted market related value method to determine the actuarial value of assets. Under this method, investment gains (losses) arising during a given year are spread on a straight-line basis over three years, within a 5% corridor of the fair value of the assets for the

solvency valuation. The actuarial value of the assets, determined as at December 31, 2008, under the adjusted market related value method for the going concern and solvency valuation was $251.4 million and $222.7 million, respectively.

Based on the report, the solvency deficit as at December 31, 2008, was $6.9 million ($7.7 million inclusive of interest). The solvency deficit is being funded over a five-year period, which commenced in 2009. The Company fulfilled its 2010 annual solvency deficit funding requirement of $1.5 million during the second quarter of 2010.

Based on the December 2008 Actuarial Valuation Report, the defined benefit pension funding contributions, including current service and solvency deficit funding amounts, are expected to be $5.2 million in 2011, $1.6 million in 2012 and $1.5 million in 2013. Actual pension funding contributions may differ from estimated amounts, pending completion of the next actuarial valuation for funding purposes, which is expected to be as of December 31, 2011. The Company expects to be able to meet future pension funding requirements as it expects the amounts will be financed from a combination of cash generated from operations and amounts available for borrowing under existing credit facilities.

Contractual Obligations: Details, as at December 31, 2010, of all contractual obligations over the subsequent five years and thereafter, follow:

($millions)	Total	Due Within 1 Year	Due in Years 2 & 3	Due in Years 4 & 5	Due After 5 Years
Credit Facilities (unsecured)	15.0	-	15.0	-	-
First Mortgage Sinking Fund Bonds[1]	463.7	5.2	10.4	38.6	409.5
Total	478.7	5.2	25.4	38.6	409.5

[1] *First mortgage sinking fund bonds are secured by a first fixed and specific charge on property, plant and equipment owned or to be acquired by the Company, by a floating charge on all other assets and carry customary covenants.*

Credit Ratings and Capital Structure: To ensure continued access to capital at reasonable cost, the Company endeavours to maintain its investment grade credit ratings. Details of the Company's investment grade bond ratings as at December 31, 2010, and 2009 follow:

	2010		2009	
Rating Agency	Rating	Outlook	Rating	Outlook
Moody's Investors Service	A2	Stable	A2	Stable
DBRS	A	Stable	A	Stable

During the first quarter of 2010 and the first quarter of 2011, Moody's and DBRS, respectively, issued updated credit rating reports confirming the Company's existing investment grade bond rating and ratings outlook.

Newfoundland Power manages common share dividends to maintain a capital structure composed of 55% debt and 45% common equity. This capital structure is reflected in customer rates and is consistent with the Company's current investment grade credit ratings. The Company's capital structure as at December 31, 2010, and 2009 follows:

	2010		2009	
	$millions	%	$millions	%
Total Debt[1]	471.3	53.5	473.9	54.8
Common Equity	400.5	45.5	381.2	44.1
Preference Equity	9.1	1.0	9.1	1.1
Total	880.9	100.0	864.2	100.0

1 *Includes bank indebtedness, or net of cash and debt issue costs, if applicable.*

The Company expects it will be able to maintain its current investment grade credit ratings in 2011.

Capital Stock and Dividends: For the years ended 2010 and 2009, the weighted average number of common shares outstanding was 10,320,270. Dividends on common shares for 2010 were $9.5 million lower than 2009. In 2010, quarterly common share dividends decreased to $0.38 per share from $0.61 per share in 2009. The decrease in common share dividends was to maintain an average capital structure that includes approximately 45% common equity.

There were no changes to the number of preference shares during 2010 compared to 2009.

RELATED PARTY TRANSACTIONS

The Company provides services to, and receives services from, its parent company, Fortis and other subsidiaries of Fortis. The Company also incurs charges from Fortis for the recovery of general corporate expenses incurred by Fortis. These transactions are in the normal course of business and are recorded at their exchange amounts.

Related party transactions included in revenue and operating expenses for the year ended December 31, 2010, and 2009 follow:

($millions)	2010	2009
Revenue[1]	4.4	4.5
Operating Expenses	2.1	1.6

1 *Includes charges for electricity consumed.*

Related party transactions included in accounts receivable at December 31, 2010, were $0.1 million, consistent with 2009.

FINANCIAL INSTRUMENTS

The carrying values of financial instruments included in current assets, current liabilities, other financial assets, and other financial liabilities approximate their fair value, reflecting their nature, short-term maturity or normal trade credit terms. The fair value of long-term debt is calculated by discounting the future cash flows of each debt instrument at the estimated yield-to-maturity equivalent to benchmark government bonds, with similar terms to maturity, plus a market credit risk premium equal to that of issuers of similar credit quality. Since the Company does not intend to settle its debt instruments before maturity, the fair value estimate does not represent the actual liability, and therefore, does not include exchange or settlement costs.

The carrying and estimated fair values of the Company's long-term debt as at December 31, 2010, and 2009 follows:

($millions)	2010 Carrying Value	2010 Estimated Fair Value	2009 Carrying Value	2009 Estimated Fair Value
Long-term debt, including current portion and committed credit facility	478.7	581.3	482.4	582.0

BUSINESS RISK MANAGEMENT

The following is a summary of the Company's significant business risks.

Regulation: The Company's key business risk is regulation. The Company is subject to normal uncertainties facing entities that operate under cost of service regulation. It is dependent on PUB approval of customer rates that permit a reasonable opportunity to recover on a timely basis the estimated costs of providing electricity service, including a fair and reasonable return on rate base. The ability to recover the actual costs of providing service and to earn the approved rates of return depends on achieving the forecasts established in the rate setting process. There can be no assurance that rate orders issued by the PUB will permit the Company to recover the estimated costs of providing electricity service. A failure to obtain acceptable rate orders may adversely affect the operations of the Company, the timing of capital projects, and the Company's credit ratings assigned by rating agencies, which may in turn, negatively affect the results of operations and financial position of the Company.

Between general rate applications, the setting of customer rates through the Formula can cause earnings and cash flows to increase or decrease due to corresponding changes in bond yields which are beyond the Company's control.

Operating and Maintenance: The Company's electricity system requires ongoing maintenance and capital investment to ensure its continued performance, reliability and safety. The failure of the Company to properly execute its capital expenditure programs, maintenance programs or the occurrence of significant unforeseen equipment failures could have a material adverse effect on the Company's results of operations, cash flows and financial position. There can be no assurance that any additional maintenance and capital costs will receive regulatory approval for recovery in future customer rates.

Economic Conditions: Economic conditions primarily impact the Company's electricity sales, cost of capital and the performance of the defined benefit pension plan. The impact on pensions and cost of capital are discussed below. Electricity sales are influenced by economic factors such as changes in employment levels, personal disposable income and housing starts. Out-migration in rural areas, as well as declining birth rates and increasing death rates associated with an aging population also affect sales. An extended decline in economic conditions would be expected to have the effect of reducing demand for energy over time. In addition to the impact of reduced demand, an extended decline in economic conditions could also impair the ability of customers to pay for electricity consumed, thereby affecting the aging and collection of the Company's accounts receivable. Modest sales growth is currently expected for 2011; however, economic conditions may impact actual future sales.

Defined Benefit Pension Plan Performance: The defined benefit pension plan is subject to judgements utilized in the actuarial determination of the accrued pension benefit obligation and the related pension expense. The primary assumptions utilized by management are the expected long-term rate of return on pension plan assets and the discount rate used to value the accrued pension benefit obligation. A discussion of the critical accounting estimates associated with pensions is provided in the "Critical Accounting Estimates - Employee Future Benefits" section of this MD&A.

Pension benefit obligations and related pension expense can be affected by change in the global financial and capital markets. There is no assurance that the pension plan assets will earn the expected long-term rate of return in the future. Market driven changes impacting the performance of the pension plan assets may result in material variations in actual return on pension plan assets from the expected long-term return on the assets. This may cause material changes in future pension funding requirements from current estimates and material changes in future pension expense. Market-driven changes may also impact the discount rate resulting in material variations in future pension funding requirements from current estimates and material changes in future pension expense.

There is also risk associated with measurement uncertainty inherent in the actuarial valuation process as it affects the measurement of pension expense, future funding requirements, the accrued benefit asset and benefit obligation.

The pension risks are mitigated for 2010 and onwards, due to the PUB approved PEVDA to deal with the differences between defined benefit pension expense calculated in accordance with Canadian GAAP and pension expense approved by the PUB for rate setting purposes. Variations in pension expense from that approved by the PUB for rate setting purposes would be recovered from (returned to) customers through the Company's Rate Stabilization Account ("RSA"). The closure of the defined benefit pension plan in 2004 also mitigates the above risk.

Capital Resources and Liquidity: The Company's financial position could be adversely affected if it fails to arrange sufficient and cost-effective financing to fund, among other things, capital expenditures and the repayment of maturing debt. There can be no assurance that sufficient capital will continue to be available on acceptable terms to repay existing debt and to fund capital expenditures. The ability to arrange sufficient and cost-effective financing is subject to numerous factors, including the financial position of the Company, conditions in the capital and bank credit markets, ratings assigned by rating agencies and general economic conditions.

Credit ratings affect the level of credit risk spreads on new long-term bond issues and on the Company's credit facilities. A change in credit ratings could potentially affect access to various sources of capital and increase or decrease the Company's financing costs. During 2010, the Company's credit ratings remained unchanged from 2009. The Company does not anticipate any material adverse rating actions by the credit rating agencies in the near term. However, recent global financial market conditions have placed increased scrutiny on rating agencies and rating agency criteria, which may result in changes to credit rating practices and policies.

The Company has been successful at securing cost-effective capital and expects to have reasonable access to capital in the near to medium terms. In 2010, the Company renegotiated its committed credit facility on similar terms as the previous facility, with an increase in pricing. The increased pricing is not expected to materially impact the Company's financial results in 2011.

Further information on the Company's credit facilities, contractual obligations, including long-term debt maturities and repayments, and cash flow requirements is provided in the "Liquidity and Capital Resources" section of this MD&A and under "Liquidity Risk" in Note 18 to the Company's 2010 annual audited financial statements.

Interest Rates: Global financial market conditions could impact the Company's cost of capital as well as impact timing of future long-term bond issues. Market driven changes in interest rates could cause fluctuations in interest costs associated with the Company's bank credit facilities. The Company periodically refinances its credit facilities in the normal course with first mortgage sinking fund bonds, which compose most of its long-term debt, thereby significantly mitigating exposure to short-term interest rate changes.

Electricity Prices: Increases in electricity rates can cause changes in customer electricity consumption, which could negatively impact sales and therefore earnings and cash flows. Electricity prices have risen in recent years primarily due to the flow-through of the rising cost of oil used at Hydro's thermal generating station. Future changes or volatility in oil prices may affect electricity prices in a manner that affects sales.

Purchased Power Cost: The Company is dependent on Hydro for approximately 93% of its electricity requirements. Purchased power costs are based on a wholesale demand and energy rate structure. The demand and energy rate structure presents the risk of volatility in purchased power costs due to uncertainty in forecasting energy sales and peak billing demand.

Effective January 1, 2008, the PUB ordered the operation of the demand management incentive account (the "DMI"). The DMI limits variations in the unit cost of purchased power related to demand up to 1% of total demand costs reflected in customer rates, or approximately $0.5 million for 2010. The disposition of balances in this account, which would be determined by a further order of the PUB, will consider the merits of the Company's conservation and demand management activities.

With respect to energy charges, as a result of January 1, 2007, changes in Hydro's wholesale rates, the marginal cost of purchased power now exceeds the average cost of purchased power that is embedded in customer rates. To the extent actual electricity sales in any period exceed forecast electricity sales used to set customer rates, the marginal purchased power expense will exceed related revenue. These supply cost dynamics had no material effect on 2010 earnings because the PUB ordered, for 2008 to 2010, that variations in purchased power expense caused by differences between the actual unit cost of energy purchased and that reflected in customer rates be recovered from (returned to) customers through the Company's RSA. Pursuant to the Company's 2010 GRA, the PUB has ordered the continued use of the energy supply cost variance reserve.

Health and Safety: The Company is subject to numerous and increasing health and safety laws, regulations and guidelines. Damages and costs could potentially arise due to a variety of events, including human error or misconduct and equipment failure. There is no assurance that any costs which might arise would be recoverable through customer rates and, if substantial, unrecovered costs could have a material adverse effect on the results of operations, cash flows and financial position of the Company. A focus on safety is an integral and continuing component of the Company's core business strategy.

2010 was the Company's third full year under the internationally recognized Occupational Health and Safety Assessment Series 18001 Health and Safety Management System. Continuing to meet this standard improves the Company's ability to capture and track information related to safe work practices and hazard recognition, and enhanced safety management.

Environment: The Company is subject to numerous laws, regulations and guidelines governing the management, transportation and disposal of hazardous substances and other waste materials, and otherwise relating to the protection of the environment. Environmental damage and associated costs could potentially arise due to a variety of events, including the impact of severe weather and other natural disasters, human error or misconduct and equipment failure. Costs arising from environmental protection initiatives, compliance with environmental laws, regulations and guidelines or damages may become material to the Company. To identify, mitigate and monitor environmental performance the Company has established an environmental management system ("EMS"). The Company's EMS is compliant with the International Organization for Standardization 14001 standard. As at December 31, 2010, there were no environmental liabilities recorded in the Company's 2010 annual audited financial statements and there were no unrecorded environmental liabilities known to management.

The Company's key environmental hazard relates to risks of contamination of air, soil and water primarily relating to the storage and handling of fuel, the use and/or disposal of petroleum-based products, mainly transformer and lubricating oil containing polychlorinated biphenyls ("PCBs"), in the day-to-day operating and maintenance activities, and emissions from the combustion of fuel required in the generation of electricity.

The Company is also subject to inherent risks, including risk of fires. Electricity transmission and distribution facilities have the potential to cause fires as a result of equipment failure, trees falling on a transmission or distribution line or lightning strikes to wooden poles.

The environmental hazards related to hydroelectric generation operations include the creation of artificial water flows that may disrupt natural habitats and the storage of large volumes of water for the purpose of electricity generation.

Insurance: While the Company maintains a comprehensive insurance program, the Company's transmission and distribution assets (i.e. poles and wires) are not covered under insurance for physical damage. This is customary in North America as the cost of the coverage is not considered economical. Insurance is subject to coverage limits as well as time-sensitive claims discovery and reporting provisions, and there is no assurance that the types of liabilities that may be incurred by the Company, including those that may arise relating to environmental matters, will be covered by insurance.

For material uninsured losses, the Company expects that it would seek regulatory relief. However, there is no assurance that regulatory relief would be received. Any major damage to the physical assets of the Company could result in repair costs and customer claims that are substantial in amount and which could have a material adverse effect on the Company's results of operations, cash flows and financial position.

It is expected that existing insurance coverage will be maintained. However, there is no assurance that the Company will be able to obtain or maintain adequate insurance in the future at rates considered reasonable or that insurance will continue to be available on terms comparable to those now existing.

Weather: The physical assets of the Company are exposed to the effects of severe weather conditions and other acts of nature. Although the physical assets have been constructed, operated and maintained to withstand severe weather, there is no assurance that they will successfully do so in all circumstances. In the event of a material uninsured loss caused by severe weather conditions or other natural disasters, there is potential to make an application to the PUB for recovery of those costs. However, there can be no assurance that the PUB would approve any such application. Any major damage to the Company's facilities could result in lost revenues, repair costs and customer claims that are substantial in amount, and could result in a material adverse effect on the Company's results of operations, cash flows and financial position.

Changes in Accounting Standards: Effective January 1, 2011, Canadian publicly accountable enterprises are required to adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Due to an unresolved issue on whether or not regulatory assets and liabilities can be recognized based on the current IFRS - *Framework for the Preparation and Presentation of Financial Statements*, the Canadian Accounting Standards Board ("AcSB") offered an optional deferral of the mandatory IFRS changeover date for entities with rate-regulated activities for one year. The Company has elected to avail of the deferral and is currently evaluating the option of adopting United States Generally Accepted Accounting Principles ("US GAAP") effective January 1, 2012, as provided in the "Future Accounting Changes" section of this MD&A.

Information Technology Infrastructure: The ability of the Company to operate effectively is dependent upon developing and maintaining its information systems and infrastructure that support electricity operations, provide customers with billing information and support the financial and general operating aspects of the business. System failures could have a material adverse effect on the Company.

Labour Relations: Approximately 54% of the employees of the Company are members of the International Brotherhood of Electrical Workers labour union (the "IBEW") which had entered into two collective bargaining agreements with the Company. The two agreements expire on September 30, 2011. The inability to maintain or renew the collective bargaining agreements on acceptable terms could result in increased labour costs, or service interruptions arising from labour disputes that are not provided for in approved rates and that could have a material adverse effect on the results of operations, cash flows and financial position of the Company.

Human Resources: The ability of the Company to deliver service in a cost-effective manner is dependent on the ability of the Company to attract, develop and retain a skilled workforce. The Company is faced with demographic challenges relating to trades, technical staff and engineers. An increasing competitive job market may also present future recruitment challenges.

FUTURE ACCOUNTING CHANGES

Financial Reporting Standards: The AcSB confirmed that Canadian GAAP for publicly accountable enterprises would be replaced by IFRS for fiscal years beginning on or after January 1, 2011.

The Company commenced its IFRS conversion project in 2007 when it established a formal project governance structure which included the Newfoundland Power Audit and Risk Committee and senior management. An external advisor was engaged to assist in the IFRS conversion project.

IFRS does not currently provide guidance with respect to accounting for rate-regulated activities. Over the past several years, the IASB discussed and deliberated accounting for rate-regulated activities, but failed to reach a conclusion on any of the associated technical issues. In September 2010, the IASB reconfirmed its earlier view that matters associated with rate-regulated accounting could not be resolved quickly. The IASB, therefore, decided to defer any further discussion on accounting for rate-regulated activities until public consultation on its future agenda is held, and views as to what form a future project might take, if at all, to address accounting for the effects of rate-regulated activities are obtained. Without specific guidance on accounting for rate-regulated activities by the IASB, a transition to IFRS would likely result in the derecognition of some, or perhaps all, of the Company's regulatory assets and liabilities, and net earnings would be expected to be subject to significant volatility under current application of IFRS.

The timing and uncertainty of the IASB's actions, as it relates to rate-regulated activities, has put Canadian rate-regulated entities at a significant disadvantage in terms of their ability to adopt IFRS as of January 1, 2011. Accordingly, the AcSB has provided qualifying entities with an option to defer its changeover to IFRS to January 1, 2012.

While the Company's IFRS Conversion Project has proceeded as planned in preparation for the adoption of IFRS, the Company has elected for the optional one year deferral to January 1, 2012, and therefore, will continue to prepare its financial statements in accordance with current Canadian GAAP for all interim and annual periods ending on or before December 31, 2011.

Due to the continued uncertainty around the timing and adoption of a rate-regulated accounting standard by the IASB, the Company is evaluating the option of adopting US GAAP effective January 1, 2012. Canadian rules allow a reporting issuer to prepare and file its financial statements in accordance with US GAAP by qualifying as a US Securities and Exchange Commission ("SEC") Issuer. The Company is considering becoming an SEC Issuer by December 31, 2011. Several other Canadian investor-owned, rate-regulated utilities are also expected to take a similar approach to possible adoption of US GAAP in 2012.

Based on preliminary analysis, the adoption of US GAAP in 2012 is expected to result in fewer significant changes in the Company's accounting policies as compared to those that may have resulted with the adoption of IFRS. Current Canadian GAAP relies on US GAAP for guidance on accounting for rate-regulated activities which allows the economic impact of rate-regulated activities to be properly recognized in the financial statements in a manner consistent with the timing by which amounts are reflected in customer rates. The Company believes that the continued application of rate-regulated accounting, and the associated recognition of regulatory assets and liabilities under US GAAP, more accurately reflects the impact that rate-regulation has on the Company's financial position and results of operations.

The Company plans to identify the high-level differences between US GAAP and Canadian GAAP by mid-year 2011. The detailed diagnostics and evaluation of both the financial and operational impacts of adopting US GAAP and identification and design of operational and financial business processes is expected to be completed by the third quarter of 2011.

Should the Company not adopt US GAAP, Newfoundland Power will be required to adopt IFRS effective January 1, 2012.

CRITICAL ACCOUNTING ESTIMATES

Preparation of the Company's financial statements in accordance with Canadian GAAP requires management to make estimates and judgements that affect the reported amounts of assets and liabilities, and the disclosure of contingencies and commitments at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates and judgements are based on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. Due to changes in facts and circumstances and the inherent uncertainty involved in making estimates, actual results may differ from current estimates. Estimates and judgements are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period they become known. The critical accounting estimates are discussed below.

Property, Plant and Equipment and Intangible Assets Amortization: Amortization, by its nature, is an estimate based primarily on the useful lives of assets. Estimated useful lives are based on current facts and historical information, and take into consideration the anticipated physical lives of the assets. Newfoundland Power's amortization methodology, including amortization rates, accumulated amortization and estimated remaining service lives, is subject to a periodic study by external experts. The difference between actual accumulated amortization and that indicated by the amortization study is amortized and included in customer rates in a manner prescribed by the PUB.

The most recently completed amortization study, based on property, plant and equipment and intangible assets in service as at December 31, 2005, indicated an accumulated amortization variance of approximately $0.7 million. The PUB ordered that this variance be amortized equally over 2008 - 2011 and that the revised amortization rates arising from the amortization study be implemented effective January 1, 2008. As a result, the total composite amortization rate declined from 3.5% to 3.4%. These changes did not have a significant impact on the Company's earnings, cash flow or financial position because the changes were reflected in customer rates effective January 1, 2008. As part of the 2010 GRA, the PUB ordered the next amortization study to be based on property, plant and equipment and intangible assets in service as at December 31, 2009. This study is ongoing and is expected to be completed in the first half of 2011.

The estimate of future removal and site restoration costs, net of salvage proceeds, is based on historical experience and future expected cost trends. The balance of this regulatory liability at December 31, 2010, was $49.5 million (December 31, 2009 - $48.7 million). The net amount of estimated future removal and site restoration costs provided for and reported in amortization expense during 2010 was $5.1 million (2009 - $4.8 million).

Capitalized Overhead: Newfoundland Power capitalizes overhead costs which are not directly attributable to specific capital assets, but which relate to the overall capital expenditure program. Capitalization reflects estimates of the portions of various general expenses that relate to the overall capital expenditures program in accordance with a methodology ordered by the PUB. GEC is allocated over constructed property, plant and equipment and amortized over their estimated service lives. In 2010, GEC totalled $3.3 million (2009 - $3.0 million). Changes to the methodology for calculating and allocating general overhead costs to property, plant and equipment could have a material impact on the amounts recorded as operating expenses versus property, plant and equipment. However, any change in the fundamental methodology for the calculation and allocation of GEC would require the approval of the PUB.

Income Taxes: Effective January 1, 2009, CICA Handbook Section 3465, *Income Taxes* was amended to require the recognition of future income tax assets and liabilities for rate-regulated utilities. Future income tax assets and liabilities are based upon temporary differences between the accounting and tax basis of existing assets and liabilities, the benefit of income tax reductions or tax losses available to be carried forward and the effects of changes in tax laws. The carrying amounts of assets and liabilities are based upon the amounts recorded in the financial statements and are therefore subject to accounting estimates that are inherent to those balances. The timing of the reversal of temporary differences is estimated based upon assumptions of expectations of future results of operations. The composition of future income tax assets and liabilities are likely to change from period to period because of changes in the estimation of these uncertainties.

Employee Future Benefits: The Company's primary defined benefit pension plan is subject to judgements utilized in the actuarial determination of the expense and related obligations. The primary assumptions utilized by management in determining the expense and the accrued benefit obligation are the discount rate and the expected long-term rate of return on plan assets. All assumptions are assessed and concluded in consultation with the Company's external actuarial advisor.

The discount rate as at December 31, 2010, which is utilized to determine the accrued pension benefit obligation and the 2011 pension expense, is 5.8% compared to the discount rate of 6.5% as at December 31, 2009. Discount rates reflect market interest rates on high quality bonds with cash flows that match the timing and amount of expected pension benefit payments. The methodology in determining the discount rate was consistent with that used to determine the discount rate in the previous year. The decrease in discount rates reflects lower credit spreads and cost of capital on investment grade corporate bonds.

The expected long-term rate of return on pension plan assets which is used to estimate the 2011 defined benefit pension expense is 7.0%, consistent with 2010. The actual rate of return on pension plan assets during 2010 was approximately 13.5%. As in previous years, an actuary provided the Company with a range of expected long-term pension asset returns based on their internal modelling. The expected long-term return on pension plan assets of 7.0% falls within the normal to optimistic range as indicated by the actuary.

In 2011, the Company expects the pension expense related to its primary defined benefit pension plan to increase by approximately $3.9 million compared to 2010. This is primarily driven by the amortization of net actuarial losses that arose in prior years, and a decrease in the discount rate used in the measurement of the accrued pension benefit obligation.

The following table provides sensitivity to the changes in the primary assumptions associated with the Company's defined benefit pension plan:

($millions)	Pension Expense[1]	Net Accrued Benefit Asset[2]	Accrued Benefit Obligation[2]
Impact of increasing the rate of return on plan assets assumption used during 2010 by 1.0%	(2.4)	2.4	-
Impact of decreasing the rate of return on plan assets assumption used during 2010 by 1.0%	2.4	(2.4)	-
Impact of increasing the discount rate assumption used during 2010 by 1.0%	(2.8)	2.8	(31.1)
Impact of decreasing the discount rate assumption used during 2010 by 1.0%	3.6	(3.6)	38.5

1 *For the year ended December 31, 2010. The volatility of future pension expense has been significantly mitigated with the PUB approved PEVDA in which pension expense calculated in accordance with Canadian GAAP and pension expense approved by the PUB for rate setting purposes would be recovered from (returned to) customers through the Company's RSA.*

2 *As at December 31, 2010.*

Other assumptions applied in measuring the defined benefit pension expense and/or the accrued pension benefit obligation were the average rate of compensation increase, average remaining service life of the active employee group, and employee and retiree mortality rates.

The Company's OPEBs are also subject to judgements utilized in the actuarial determination of the expense and related obligation. Assumptions utilized by management in determining OPEBs costs and obligations include the health care cost trend rate and the foregoing assumptions, excluding the expected long-term rate of return on plan assets and average rate of compensation increase.

For 2010 and prior, in accordance with PUB orders, Newfoundland Power expensed the cost of OPEBs on a cash basis, whereby the difference between the cash payments during the year and the expense incurred in the year is deferred as a regulatory asset. Therefore, changes in assumptions resulted in changes in the regulatory asset and did not impact earnings. OPEBs costs deferred as a regulatory asset in 2010 totalled $5.9 million (2009 - $5.6 million) and the regulatory asset at December 31, 2010, was $52.6 million (2009 - $46.7 million).

Effective January 1, 2011, the PUB ordered the adoption of the accrual method of accounting for OPEBs, the amortization on a straight-line basis over 15 years the $52.6 million regulatory asset and the creation of an OPEBs cost variance deferral account. The volatility of future OPEBs expense caused by the adoption of the accrual method has been significantly mitigated with the PUB approved OPEBs cost variance deferral account in which OPEBs expense calculated in accordance with Canadian GAAP and OPEBs expense approved by the PUB for rate setting purposes will be recovered from (returned to) customers through the Company's RSA.

Asset Retirement Obligations: The measurement of the fair value of asset retirement obligations ("AROs") requires the Company to make reasonable estimates about the method of settlement and settlement dates associated with legally obligated asset retirement costs. While the Company has AROs for its generation assets and certain distribution and transmission assets, there were no amounts recognized as at December 31, 2010, and December 31, 2009.

The nature, amount and timing of AROs for hydroelectric generation assets cannot be reasonably estimated at this time as these assets are expected to effectively operate in perpetuity given their nature. In the event that environmental issues are identified or hydroelectric generation assets are decommissioned, AROs will be recorded at that time provided the costs can be reasonably estimated. It is management's judgement that identified AROs for its remaining assets are immaterial.

Revenue Recognition: The Company recognizes electricity revenue on an accrual basis. Customer bills are issued throughout the month based on meter readings that establish electricity consumption by the customer since the last meter reading. The unbilled revenue accrual for each period is based on estimated electricity sales to customers for the period since the last meter reading at the rates approved by the PUB.

The development of the electricity sales estimates requires analysis of electricity consumption on a historical basis in relation to key inputs such as the current price of electricity, population growth, economic activity, weather conditions and electricity system losses. The estimation process for accrued unbilled electricity consumption will result in adjustments to electricity revenue in the period during which the difference between actual results and those estimated becomes known. As at December 31, 2010, the amount of accrued unbilled revenue recorded in accounts receivable was approximately $28.4 million (December 31, 2009 - $29.3 million).

Contingencies: The Company is subject to various legal proceedings and claims associated with the ordinary course of business operations. It is management's judgement that the amount of liability, if any, from these actions would not have a material adverse effect on the Company's financial position or results of operations.

SELECTED ANNUAL INFORMATION

The following table sets forth the annual information for the years ended December 31, 2010, 2009 and 2008. The financial information has been prepared in accordance with Canadian GAAP for rate-regulated entities. The timing and recognition of certain assets, liabilities, revenue and expense, as a result of regulation, may differ from that otherwise expected using Canadian GAAP for non-regulated entities.

($millions, except per share amounts)	2010	2009[1]	2008
Results of Operations			
Revenue	555.0	527.2	516.9
Net Earnings Applicable to Common Shares	35.0	32.6	32.3
Financial Position			
Total Assets	1,191.1	1,165.2	1,001.9
Total Long-term Liabilities	704.5	695.8	534.6
Shareholders' Equity	409.6	390.3	383.1
Per Share Data			
Earnings Applicable to Common Shares[2]	3.39	3.16	3.13
Common Dividends Declared[2]	1.52	2.44	1.48
Preference Dividends Declared[3]	2.56	2.56	2.56

1 *Certain comparative figures have been reclassified to comply with the current year's presentation.*
2 *Basic and fully diluted. Based on the weighted average number of common shares outstanding, which was 10,320,270 common shares in each year.*
3 *Based on the aggregate weighted average number of preference shares outstanding in each year, which was 911,098 in both 2010 and 2009 and 935,223 in 2008. In 2010, no preference shares were repurchased (2009 - the Company repurchased 24,125 preference shares at $10 per share; no preference shares were repurchased in 2008).*

The changes from 2009 to 2010 have been discussed previously in this MD&A. The increase in revenue from 2008 to 2009 was primarily the result of electricity sales growth. The increase in total assets and long-term liabilities from 2008 to 2009 was due primarily to the adoption of CICA Handbook Section 3465, *Income Taxes*, along with continued investment in the electricity system and is consistent with the Company's strategy to provide safe, reliable electricity service at the lowest reasonable cost. The increase in common dividends from 2008 to 2009 was to maintain a capital structure composed of approximately 45% common equity and 55% debt.

FOURTH QUARTER RESULTS

	2010	2009	Change
Electricity Sales *(GWh)*[1]	1,488.2	1,473.9	14.3
Earnings Applicable to Common Shares			
$ Millions	9.2	8.6	0.6
$ Per Share	0.89	0.84	0.05
Cash Flow from Operating Activities *($millions)*	25.0	13.9	11.1
Cash Flow used in Investing Activities *($millions)*	(21.0)	(21.0)	-
Cash Flow (used in) from Financing Activities *($millions)*	(2.3)	1.8	(4.1)

1 *Reflects normalized electricity sales.*

Electricity sales for the fourth quarter of 2010 increased by 14.3 GWh or 1.0% compared to 2009. The increase in electricity sales was composed of an increase of 1.7% due to customer growth partially offset by a reduction of 0.7% in average consumption.

Earnings for the fourth quarter of 2010 increased by $0.6 million compared to the fourth quarter of 2009. The increase in earnings was primarily the result of the customer rate increase effective January 1, 2010, reflecting rate base growth and a higher ROE embedded in customer rates, along with related timing differences in the rebasing of rates. The increase in earnings also related to higher than anticipated electricity sales and a lower effective income tax rate in the quarter. These

increases were partially offset by an increase in operating expenses and higher purchased power costs due to higher water inflows associated with the Company's hydroelectric generating facilities.

Cash from operating activities for the fourth quarter of 2010 increased by $11.1 million compared to the fourth quarter of 2009. The increase in cash flow from operating activities primarily reflects: (i) lower income tax payments; (ii) lower purchased power costs; and (iii) timing of payments to vendors.

Cash from financing activities for the fourth quarter of 2010 decreased by $4.1 million compared to the fourth quarter of 2009. The decrease in cash required from financing activities was primarily the result of higher operating cash flows and lower dividends.

QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the eight quarters ended March 31, 2009, through December 31, 2010. The quarterly information has been obtained from the Company's interim unaudited financial statements which, in the opinion of management, have been prepared in accordance with Canadian GAAP for rate-regulated entities. The timing and recognition of certain assets, liabilities, revenue and expense, as a result of regulation, may differ from that otherwise expected using Canadian GAAP for non-regulated entities. These financial results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

	First Quarter March 31		Second Quarter June 30		Third Quarter September 30		Fourth Quarter December 31	
(unaudited)	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Electricity Sales *(GWh)*	1,795.2	1,762.9	1,220.2	1,177.2	915.4	885.0	1,488.2	1,473.9
Revenue *($millions)*	178.3	169.7	126.2	118.1	99.0	92.9	151.5	146.5
Net Earnings Applicable to Common Shares *($millions)*	7.2	6.2	11.0	10.7	7.6	7.1	9.2	8.6
Earnings per Common Share *($)*[1]	0.70	0.60	1.06	1.04	0.74	0.68	0.89	0.84

[1] *Basic and fully diluted.*

Seasonality

Sales and Revenue: Sales and revenue are significantly higher in the first quarter and significantly lower in the third quarter compared to the remaining quarters. This reflects the seasonality of electricity consumption for heating.

Earnings: Beyond the seasonality of electricity consumption for heating, quarterly earnings are impacted by the purchased power rate structure. The Company pays more, on average, for each kilowatt hour ("kWh") of purchased power in the winter months and less, on average, for each kWh of purchased power in the summer months.

These sales, revenues and cost dynamics are expected to yield lower earnings in the first quarter compared to remaining quarters within any given year.

Trending

Sales and Revenue: Year-over-year quarterly electricity sales increases primarily reflect modest customer growth.

Earnings: Beyond the impact of expected moderate sales growth, future quarterly earnings and earnings per share are expected to trend with the ROE reflected in customer rates and rate base growth.

OUTLOOK

The Company's strategy will remain unchanged.

Newfoundland Power is regulated under a cost of service regime. Cost of service regulation entitles the Company to an opportunity to recover its reasonable cost of providing service, including its cost of capital, in each year. Newfoundland Power expects to maintain its investment grade credit ratings in 2011. The Company is currently assessing the requirement for it to file an application with the PUB to recover expected increased costs in 2012.

The Formula: In accordance with the operation of the Formula, the Company's rate of return on common equity, for purposes of setting rates, was reduced from 9.00% for 2010 to 8.38% for 2011. As a result, on December 10, 2010, the Company received an Order from the PUB reducing the Company's rate of return on rate base from 8.23%, with a range of 8.05% to 8.41% for 2010, to 7.96%, with a range of 7.78% to 8.14% for 2011.

Other Post-Employment Benefits: In 2010, the Company completed a review of its OPEBs provided to employees upon retirement. This review resulted in changes to the OPEBs plan relating to medical benefits and life insurance coverage, effective January 1, 2011. Changes to the plan reduced the Company's OPEBs obligation by approximately $15.0 million and annual OPEBs costs by approximately $2.0 million.

On June 30, 2010, the Company submitted a proposal to the PUB relating to the accounting for, and recovery of, OPEBs costs. The Company recommended that it: (i) adopt the accrual method of accounting for OPEBs costs effective January 1, 2011; (ii) recover the transitional balance or regulatory asset, associated with adoption of accrual accounting over a 15-year period; and (iii) adopt an OPEBs cost variance deferral account to capture differences between OPEBs expense calculated in accordance with Canadian GAAP and OPEBs expense approved by the PUB for rate setting purposes. The application received PUB approval on December 10, 2010.

Customer Rates: Effective January 1, 2011, there was an overall average increase in electricity rates charged to customers of approximately 0.8%. The increase is a result of the PUB's recent approval for the Company to change its accounting practices for its OPEBs costs partially offset by the operation of the Formula used annually to set electricity rates in between rate applications.

Capital Plan: On July 15, 2010, the Company filed an application with the PUB requesting approval for its 2011 capital expenditure plan totalling $73.0 million. The application was approved by the PUB on November 15, 2010.

Cost Recovery Deferral Application: On August 31, 2010, the Company filed an application with the PUB requesting the deferred recovery of expected increased costs in 2011 of $2.4 million due to expiring regulatory amortizations. The application was approved by the PUB on November 29, 2010.

Support Structure Agreement: On December 22, 2010, the Company signed a new Support Structure agreement (the "Agreement"), effective January 1, 2011, with Bell Aliant (formerly Aliant Telecom Inc.) where Bell Aliant will buy back 40% of all joint-use poles and related infrastructure at a price of approximately $45.7 million. This represents approximately 5% of Newfoundland Power's rate base. In 2001, Newfoundland Power purchased Bell Aliant's joint-use poles and related

infrastructure under a 10-year Joint-Use Facilities Partnership Agreement ("JUFPA") which expired December 31, 2010. Bell Aliant has rented space on these poles from Newfoundland Power since 2001 with the right to repurchase 40% of all joint-use poles at the end of the term. Bell Aliant exercised the option to buy back these poles from Newfoundland Power.

At December 31, 2010, the Company recorded assets held for sale in the amount of $44.7 million which represents the estimated purchase price less cost to sell. The estimated purchase price will be adjusted upon completion of a pole survey in 2011. Effective January 1, 2011, the Company will no longer be receiving pole rental revenue from Bell Aliant. However, Newfoundland Power will be responsible for the construction and maintenance of Bell Aliant's support structure requirements throughout 2011. The Agreement with Bell Aliant is not expected to materially impact the Company's ability to earn a reasonable return on its rate base in 2011. The Company is currently working with Bell Aliant regarding the future operational and financial aspects of this transaction beyond 2011. The Company anticipates the proceeds from this transaction will be used to pay down its short-term debt and maintain its capital structure of 45% common equity.

The Agreement is subject to certain conditions, including PUB approval of the sale of 40% of the Company's joint-use poles, which must be met by June 30, 2011, or either party may choose to terminate. In the event of termination, the rights and recourses under the JUFPA will remain in effect for both parties. The Company filed an application with the PUB on February 4, 2011, and expects the transaction to close in 2011.

Management Report

The accompanying 2010 Financial Statements of Newfoundland Power Inc. and all information in the 2010 Annual Report have been prepared by management, who are responsible for the integrity of the information presented, including the amounts that must, of necessity, be based on estimates and informed judgements. These Financial Statements were prepared in accordance with accounting principles generally accepted in Canada, including selected accounting treatments that differ from those used by entities not subject to rate regulation. Financial information contained elsewhere in the 2010 Annual Report is consistent with that in the annual audited Financial Statements.

In meeting its responsibility for the reliability and integrity of the Financial Statements, management has developed and maintains a system of accounting and reporting which provides for the necessary internal controls to ensure transactions are properly authorized and recorded, assets are safeguarded and liabilities are recognized. The systems of the Company focus on the need for training of qualified and professional staff and the effective communication of management guidelines and policies. The effectiveness of the internal controls of Newfoundland Power Inc. is evaluated on an ongoing basis.

The Board of Directors oversees management's responsibility for financial reporting through an Audit & Risk Committee which is composed entirely of external independent directors. The Audit & Risk Committee oversees the external audit of the Company's Annual Financial Statements and the accounting and financial reporting and disclosure processes and policies of the Company. The Audit & Risk Committee meets with management, the shareholders' auditors and the internal auditor to discuss the results of the audit, the adequacy of internal accounting controls and the quality and integrity of financial reporting. The Company's Annual Financial Statements are reviewed by the Audit & Risk Committee with each of management and the shareholders' auditors before the statements are recommended to the Board of Directors for approval. The shareholders' auditors have full and free access to the Audit & Risk Committee.

The Audit & Risk Committee has the duty to review the adoption of, and changes in, accounting principles and practices which have a material effect on the Company's financial statements and to review and report to the Board of Directors on policies relating to accounting and financial reporting and disclosure processes. The Audit & Risk Committee has the duty to review financial reports requiring the approval of the Board of Directors prior to submission to securities commissions or other regulatory authorities, to assess and review management's judgements that are material to reported financial information and to review shareholders' auditors' independence and auditors' fees.

The December 31, 2010, Financial Statements and Management Discussion and Analysis contained in the 2010 Annual Report were reviewed by the Audit & Risk Committee and, on their recommendation, were approved by the Board of Directors of Newfoundland Power Inc. Ernst & Young, LLP, independent auditors appointed by the shareholders of Newfoundland Power Inc. upon recommendation of the Audit & Risk Committee, have performed an audit of the 2010 Financial Statements and their report follows.

Earl Ludlow
President
and Chief Executive Officer

Jocelyn Perry
Vice President, Finance
and Chief Financial Officer

Independent Auditors' Report

To the Shareholders,
Newfoundland Power Inc.

We have audited the accompanying financial statements of Newfoundland Power Inc., which comprise the balance sheets as at December 31, 2010, and 2009, and the statements of earnings, statements of retained earnings and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Newfoundland Power Inc. as at December 31, 2010, and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
St. John's, Canada

February 4, 2011

Statements of Earnings

For the years ended December 31

(in thousands of Canadian dollars except per share amounts)

	2010	2009
Revenue	$ 554,950	$ 527,179
Purchased power	358,443	345,656
Gross Margin	196,507	181,523
Operating expenses	54,623	49,315
Pension and early retirement program costs	7,588	2,673
Amortization	43,358	41,825
Amortization true-up deferral *(Note 4)*	3,862	3,862
Finance charges *(Note 5)*	35,633	34,555
	145,064	132,230
Earnings Before Income Taxes	51,443	49,293
Income taxes *(Note 6)*	15,870	16,092
Net Earnings	35,573	33,201
Preference share dividends	568	573
Net Earnings Applicable to Common Shares	$ 35,005	$ 32,628
Basic and Diluted Earnings per Common Share	$ 3.39	$ 3.16

Statements of Retained Earnings

For the years ended December 31

(in thousands of Canadian dollars)

	2010	2009
Balance, Beginning of the Year	$ 310,864	$ 303,417
Net earnings	35,573	33,201
Dividends		
Preference shares	(568)	(573)
Common shares	(15,688)	(25,181)
Balance, End of the Year	$ 330,181	$ 310,864

See accompanying notes to financial statements.

Balance Sheets

As at December 31

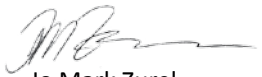
(in thousands of Canadian dollars)

	2010	2009 *(restated - see Note 20)*
Assets *(Note 13)*		
Current assets		
Cash	$ 4,182	$ 5,308
Accounts receivable	61,654	64,553
Regulatory assets *(Note 4)*	11,536	8,736
Materials and supplies	992	934
Prepaid expenses	1,327	1,376
Income taxes receivable	-	4,194
	79,691	85,101
Property, plant and equipment *(Note 8)*	776,382	787,218
Regulatory assets *(Note 4)*	175,593	177,236
Accrued pension *(Note 9)*	97,755	97,802
Assets held for sale *(Note 7)*	44,698	-
Intangible assets *(Note 10)*	15,310	16,113
Other assets *(Note 11)*	1,647	1,717
	$ 1,191,076	$ 1,165,187
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued charges	$ 64,269	$ 65,727
Regulatory liabilities *(Note 4)*	-	7,087
Current instalments of long-term debt *(Note 13)*	5,200	5,200
Future income taxes *(Note 6)*	3,211	1,068
Income taxes payable	4,302	-
	76,982	79,082
Regulatory liabilities *(Note 4)*	57,371	48,660
Other post-employment benefits *(Note 9)*	52,559	46,713
Other liabilities *(Note 14)*	4,253	3,960
Future income taxes *(Note 6)*	120,016	122,426
Long-term debt *(Note 13)*	470,282	474,050
	781,463	774,891
Shareholders' equity		
Common shares *(Note 15)*	70,321	70,321
Preference shares *(Note 15)*	9,111	9,111
Retained earnings	330,181	310,864
	409,613	390,296
	$ 1,191,076	$ 1,165,187

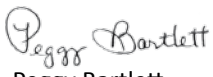
Commitments *(Note 19)*

See accompanying notes to financial statements.

APPROVED ON BEHALF OF THE BOARD:



Jo Mark Zurel
Director



Peggy Bartlett
Director

Statements of Cash Flows

For the years ended December 31

(in thousands of Canadian dollars)

	2010	2009
Cash From (Used In) Operating Activities		
Net earnings	$ 35,573	$ 33,201
Items not affecting cash		
Amortization of property, plant and equipment	40,521	38,935
Amortization of intangible assets and other	3,107	3,162
Change in regulatory assets and liabilities	7,124	691
Future income taxes	(1,903)	502
Employee future benefits	216	(4,416)
	84,638	72,075
Change in non-cash working capital	9,928	(12,695)
	94,566	59,380
Cash From (Used In) Investing Activities		
Capital expenditures	(76,347)	(71,267)
Intangible asset expenditures	(2,034)	(2,808)
Contributions from customers	2,789	4,575
Other	156	(107)
	(75,436)	(69,607)
Cash From (Used In) Financing Activities		
Proceeds (Repayment) of committed credit facility	1,500	(18,500)
Proceeds from long-term debt	-	65,000
Repayment of long-term debt	(5,200)	(5,200)
Payment of debt financing costs	(300)	(389)
Redemption of preference shares	-	(241)
Dividends		
Preference shares	(568)	(573)
Common shares	(15,688)	(25,181)
	(20,256)	14,916
(Decrease) Increase in Cash	(1,126)	4,689
Cash, Beginning of the Year	5,308	619
Cash, End of the Year	$ 4,182	$ 5,308
Cash Flows Include the Following Elements		
Interest paid	$ 36,127	$ 34,468
Income taxes paid	$ 6,790	$ 25,057

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2010

Tabular amounts are in thousands of Canadian dollars unless otherwise noted.

1. Description of the Business

Newfoundland Power Inc. (the "Company" or "Newfoundland Power") is a regulated electricity utility that operates an integrated generation, transmission and distribution system throughout the island portion of Newfoundland and Labrador. The Company is regulated by the Newfoundland and Labrador Board of Commissioners of Public Utilities (the "PUB") and serves over 243,000 customers comprising approximately 86% of all electricity consumers in the Province. The Company is a wholly-owned subsidiary of Fortis Inc. ("Fortis"). Newfoundland Power has an installed generating capacity of 140 megawatts ("MW"), of which approximately 97 MW is hydroelectric generation. It generates approximately 7% of its energy needs and purchases the remainder from Newfoundland and Labrador Hydro ("Hydro").

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). As a result of rate-regulation, the timing of the recognition of certain assets, liabilities, revenues and expenses may differ from that otherwise expected under Canadian GAAP for entities not subject to rate-regulation. These differences are disclosed below and in Note 4.

Regulation

The Company operates under cost of service regulation as administered by the PUB under the *Public Utilities Act (Newfoundland and Labrador)* ("Public Utilities Act").

The Public Utilities Act provides for the PUB's general supervision of the Company's utility operations and requires the PUB to approve, among other things, customer rates, capital expenditures and the issuance of securities. The Public Utilities Act also entitles the Company an opportunity to recover all reasonable and prudent costs incurred in providing electricity service to its customers, including a just and reasonable return on its rate base. The rate base consists of the net assets required by the Company to provide service to customers.

The determination of the forecast return on rate base, together with the forecast of all reasonable and prudent costs, establishes the revenue requirement upon which the Company's customer rates are determined through a general rate hearing. Rates are bundled to include generation, transmission and distribution services.

Pursuant to the 2010 General Rate Application ("2010 GRA"), the Company's rate of return on rate base for ratemaking purposes was set at 8.23%, with a range of 8.05% to 8.41%, for 2010. This reflects a regulated rate of return on common equity ("ROE") of 9.00% for 2010 compared to 8.95% for 2009. Between general rate hearings, customer rates are established annually through the operation of an automatic adjustment formula (the "Formula"). The Formula sets a ROE which is used to determine the rate of return on rate base. In accordance with the operation of the Formula, as approved by the PUB in 2010, the Company's rate of return on rate base has been set at 7.96%, with a range of 7.78% to 8.14% for 2011.

Revenue Recognition

Revenue is recognized under the accrual method when service is rendered. Revenue arising from the amortization of certain regulatory assets and liabilities is recognized in the manner prescribed by the PUB, as disclosed in Note 4.

Property, Plant and Equipment

Property, plant and equipment are stated at values approved by the PUB as at June 30, 1966, with subsequent additions at cost.

Contributions in aid of construction represent the cost of utility property, plant and equipment contributed by customers and government. These contributions are recorded as a reduction in the cost of utility property, plant and equipment.

The Company capitalizes certain overhead costs not directly attributable to specific property, plant and equipment but which do relate to its overall capital expenditure program (general expenses capitalized or "GEC"). The methodology for calculating and allocating GEC among classes of property, plant and equipment is established by PUB order. In the absence of rate-regulation, only those overhead costs directly attributable to construction activity would be capitalized. In 2010, GEC totalled $3.3 million (2009 - $3.0 million).

The Company capitalizes an allowance for funds used during construction ("AFUDC"), which represents the cost of debt and equity financing incurred during construction of property, plant and equipment. AFUDC is calculated in a manner prescribed by the PUB based on a capitalization rate that is the Company's weighted average cost of capital. In 2010, the cost of equity financing capitalized as an AFUDC and deducted from financing charges was approximately $0.4 million (2009 - $0.3 million). In the absence of rate-regulation, this cost of equity financing would be expensed.

Property, plant and equipment are amortized using the straight-line method by applying the amortization rates approved by the PUB and disclosed below to the average original cost, including GEC and AFUDC, of the related assets.

The composite amortization rates for the Company's property, plant and equipment, as well as their service life ranges and average remaining service lives as at December 31, follow:

	Composite Amortization Rate		Service Life (Years)			
			Range		Average Remaining	
	2010	2009	2010	2009	2010	2009
Distribution	3.1%	3.1%	16-65	16-65	23	23
Transmission and substations	2.9	2.9	31-65	31-65	26	26
Generation	2.6	2.6	13-75	13-75	32	32
Transportation and communications	8.9	8.9	5-30	5-30	5	5
Buildings	2.3	2.3	35-70	35-70	27	27
Equipment	9.0	9.0	5-25	5-25	5	5
	3.4%	3.4%				

2. Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment (cont'd)

The Company's amortization methodology, including amortization rates, accumulated amortization and estimated remaining service lives, is subject to periodic review by external experts (the "Amortization Study"). The differences between actual accumulated amortization and that indicated by the Amortization Study is treated as an amortization adjustment reserve (the "Amortization True-Up") which is used to increase or decrease amortization expense and is included in customer rates in a manner prescribed by the PUB.

The 2006 Amortization Study, based on property, plant and equipment in service as at December 31, 2005, indicated an Amortization True-Up of approximately $0.7 million. The PUB ordered that it be amortized as a decrease in amortization expense equally over 2008 - 2011.

Upon disposition, the original cost of property, plant and equipment is removed from the asset accounts. That amount, net of salvage proceeds, is also removed from accumulated amortization. As a result, any gain or loss is charged to accumulated amortization and is effectively included in the Amortization True-Up arising from the next Amortization Study. In 2010, approximately $7.7 million (2009 - $6.8 million) of losses were charged to accumulated amortization. In the absence of rate-regulation, these amounts would have been recognized as losses upon disposition.

Materials and Supplies

Materials and supplies, representing fuel and materials required for maintenance activities, are carried at the lower of cost or net realizable value. Materials and supplies expensed in 2010 and 2009 were immaterial.

Intangible Assets

Intangible assets are recorded at cost and amortized over their estimated useful lives on a straight-line basis. The weighted average amortization rates for intangible assets in 2010 were 10.0% for computer software (2009 - 10.0%) and 1.6% for land rights (2009 - 1.6%). There was no impact to the Company's financial statements as a result of intangible asset impairments for the years ended December 31, 2010, and 2009.

Future Income Taxes

Effective January 1, 1981, as prescribed by the PUB, future income tax liabilities are recognized, and recovered in customer rates, on temporary timing differences associated with the cumulative excess of capital cost allowance over amortization of property, plant and equipment, excluding GEC. Effective January 1, 2008, as prescribed by the PUB, future income taxes are recognized and recovered in customer rates on temporary timing differences between pension expense and pension funding.

Future income tax expense (recovery) associated with the Company's regulatory reserves and certain regulatory deferrals is also recognized and included in the determination of customer rates. See Note 4.

Effective January 1, 2011, as prescribed by the PUB, future income taxes are to be recognized and recovered in customer rates on temporary timing differences between other post-employment benefits ("OPEBs") costs recovered using the accrual method and that using the cash method.

Future income tax assets and liabilities associated with other temporary timing differences between the tax basis of assets and liabilities and their carrying amount are not recognized or included in customer rates. Effective January 1, 2009, future income tax assets and liabilities, and related regulatory liabilities and assets are recognized for the amount of future income taxes expected to be refunded to, or recovered from, customers in future electricity rates.

Employee Future Benefits

Newfoundland Power maintains defined contribution and defined benefit pension plans for its employees and also provides OPEBs. OPEBs are composed of retirement allowances for retiring employees as well as health, medical and life insurance for retirees and their dependants.

Defined Contribution and Defined Benefit Pension Plans

Defined contribution pension plan costs are expensed as incurred.

The pension costs and accrued benefit obligations of the defined benefit pension plans are actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. Pension plan assets are valued using the market-related value where investment returns in excess of or below expected returns are recognized in asset value over a period of three years. The excess of the cumulative net actuarial gain or loss over 10% of the greater of the benefit obligation and the market-related value of plan assets is amortized over the estimated average remaining service period of active employees. The transitional obligation arising from the Company's January 1, 2000, adoption of Section 3461 of the CICA Handbook is being amortized on a straight-line basis over the 18 year expected average remaining service period of plan members at that time. Unamortized past service costs are amortized over a range of 5 - 15 years. See Notes 4 and 9.

Effective January 1, 2010, pursuant to the 2010 GRA, the PUB ordered the creation of a pension expense variance deferral account ("PEVDA"). This account will be charged or credited with the amount by which annual pension expense, recorded in accordance with Canadian GAAP, differs from amounts approved in rates by the PUB. Each year, at March 31, the balance in the PEVDA will be transferred to the Company's Rate Stabilization Account ("RSA") and disposed of in accordance with the operation of the RSA. See Note 4.

Other Post-Employment Benefits ("OPEBs")

OPEBs costs and the accrued OPEBs obligation are actuarially determined using the projected benefits method prorated on service and best estimate assumptions. The excess of any cumulative net actuarial gain or loss over 10% of the benefit obligation, along with unamortized past service costs is amortized over the estimated average remaining service period of active employees. The transitional obligation arising from the Company's January 1, 2000, adoption of Section 3461 of the CICA Handbook is being amortized on a straight-line basis over the 18 year expected average remaining service period of plan members at that time. See Note 9.

Up to and including December 31, 2010, OPEBs costs were expensed when benefits were paid. In the absence of rate-regulation, OPEBs costs would have been expensed on an accrual basis as actuarially determined. The portion of the actuarially determined costs that has not been recognized as an expense has been deferred as a regulatory asset. See Note 4.

Effective January 1, 2011, the PUB ordered the adoption of the accrual method of accounting for OPEBs, the amortization on a straight-line basis over 15 years of the $52.6 million regulatory asset, and the creation of an OPEBs cost variance deferral account. This account will be charged or credited with the amount by which annual OPEBs expense, recorded in accordance with Canadian GAAP, differs from amounts approved in rates by the PUB. Each year, at March 31, the balance in the OPEBs cost variance deferral account will be transferred to the Company's RSA and disposed of in accordance with the operation of the RSA. See Note 4.

2. Summary of Significant Accounting Policies (cont'd)

Financial Instruments

The Company has designated its financial instruments as follows:

(a) Cash is classified as "Held for Trading". After its initial fair value measurement, any change in fair value is recognized in earnings.
(b) Certain accounts receivable and loans under customer finance plans (Note 11) are classified as "Loans and Receivables".
(c) Short-term borrowings, bank indebtedness, accounts payable and accrued charges, security deposits (Note 14) and long-term debt (Note 13) are classified as "Other Financial Liabilities".

Initial measurement of Loans and Receivables and Other Financial Liabilities are at fair value and incorporates transaction costs, including debt issue costs. Subsequent measurement is at amortized cost using the effective interest method. For the Company, the measurement amount approximates cost.

Asset Retirement Obligations

Under Canadian GAAP, the Company is required to record the fair value of future expenditures necessary to settle legal obligations associated with asset retirements even though the timing or method of settlement is conditional on future events. Newfoundland Power has determined that there are asset retirement obligations ("AROs") associated with its hydroelectric generation assets and some parts of its transmission and distribution system.

For hydroelectric generation assets, the legal obligation is the environmental remediation of the land and waterways to protect fish habitat. However, this obligation is conditional on the decision to decommission generation assets. The Company currently has no plans to decommission any of its hydroelectric generation assets as they are effectively operated in perpetuity. Therefore, the nature and fair value of any ARO is not currently determinable.

The legal obligations for the transmission and distribution system pertain to the proper disposal of used oil and polychlorinated biphenyls ("PCBs") contaminated assets and obligations related to other Company facilities consist of the removal of fuel storage tanks and asbestos. These obligations were determined to be immaterial and therefore no AROs have been recognized.

The Company will recognize AROs and offsetting property, plant and equipment if the nature and timing can reasonably be determined and the amount is material.

Use of Accounting Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and judgements that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates and judgements are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Additionally, certain estimates are necessary since the regulatory environment in which the Company operates often require 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 involved in making estimates, actual results may differ significantly from current estimates. Estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period in which they either, as appropriate, become known or included in customer rates.

3. Change in Accounting Policies

Future Changes

The Canadian Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises would be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011.

The Company commenced its IFRS conversion project in 2007 when it established a formal project governance structure which included the Newfoundland Power Audit and Risk Committee and senior management. An external advisor was engaged to assist in the IFRS conversion project.

IFRS does not currently provide guidance with respect to accounting for rate-regulated activities. In September 2010, the IASB reconfirmed that matters associated with rate-regulated accounting would take time to be resolved. Without specific guidance on accounting for rate-regulated activities by the IASB, a transition to IFRS would likely result in the derecognition of some, or perhaps all, of the Company's regulatory assets and liabilities, and net earnings would be expected to be subject to significant volatility under current application of IFRS.

Given current uncertainty with rate-regulated activities under IFRS, the AcSB has provided qualifying entities with an option to defer their changeover to IFRS to January 1, 2012.

While the Company's IFRS Conversion Project proceeded as planned in preparation for the adoption of IFRS, the Company has elected for the optional one year deferral to January 1, 2012, and therefore, will continue to prepare its financial statements in accordance with current Canadian GAAP for all interim and annual periods ending on or before December 31, 2011.

Due to the continued uncertainty around the timing and adoption of a rate-regulated accounting standard by the IASB, the Company is evaluating the option of adopting United States Generally Accepted Accounting Principles ("US GAAP") effective January 1, 2012. Canadian rules allow a reporting issuer to prepare and file its financial statements in accordance with US GAAP by qualifying as a US Securities and Exchange Commission ("SEC") Issuer.

Current Canadian GAAP relies on US GAAP for guidance on accounting for rate-regulated activities which allows the economic impact of rate-regulated activities to be properly recognized in the financial statements in a manner consistent with the timing by which amounts are reflected in customer rates. The Company believes that the continued application of rate-regulated accounting, and the associated recognition of regulatory assets and liabilities under US GAAP, more accurately reflects the impact that rate-regulation has on the Company's financial position and results of operations.

The Company plans to identify the high-level differences between US GAAP and Canadian GAAP by mid-year 2011. The detailed diagnostics and evaluation of the financial impacts of adopting US GAAP, and identification and design of operational and financial business processes is expected to be completed by the third quarter of 2011.

Should the Company not adopt US GAAP, Newfoundland Power will be required to adopt IFRS effective January 1, 2012.

4. Regulatory Assets and Liabilities

Regulatory assets and liabilities arise as a result of the rate setting process. Regulatory assets represent future revenues associated with certain costs incurred in the current or prior periods that will be, or are expected to be, recovered from customers in future periods through the rate setting process. Regulatory liabilities represent future reductions or limitations of increases in revenues associated with amounts that will be, or are expected to be, refunded to customers through the rate setting process. The accounting methods underlying regulatory assets and liabilities, and their eventual settlement through the rate setting process, are prescribed by the PUB and impact the Company's cash flows.

4. Regulatory Assets and Liabilities (cont'd)

The Company's regulatory assets and liabilities which will be, or are expected to be, reflected in customer rates in future periods, follow:

	2010		2009	
	Current	Non-current	Current	Non-current
Regulatory Assets				
Rate stabilization account *(i)*	$ 1,847	$ 1,876	$ -	$ 1,836
OPEBs *(ii)*	3,504	49,055	-	46,713
Weather normalization account *(iii)*	2,102	2,102	2,102	3,929
Amortization true-up deferral *(iv)*	-	-	3,862	-
Pension deferral *(v)*	1,128	3,665	1,128	4,793
Replacement energy deferral *(vi)*	-	-	600	-
Deferred GRA costs *(vii)*	253	253	451	500
Conservation and demand management deferral *(viii)*	339	678	339	1,018
Future income taxes *(Note 2)*	2,363	117,964	254	118,447
	$ 11,536	$ 175,593	$ 8,736	$ 177,236
Regulatory Liabilities				
Rate stabilization account *(i)*	$ -	$ -	$ 418	$ -
Weather normalization account *(iii)*	-	6,892	-	-
Municipal tax liability *(ix)*	-	-	1,363	-
Unbilled revenue *(x)*	-	-	4,618	-
Purchased power unit cost variance reserve *(xi)*	-	-	688	-
Future removal and site restoration provision *(xii)*	-	49,485	-	48,660
Demand management incentive account *(xiii)*	-	994	-	-
	$ -	$ 57,371	$ 7,087	$ 48,660

(i) Rate Stabilization Account

On July 1 of each year, customer rates are recalculated in order to recover from or refund to customers, over the subsequent twelve months, the balance in the RSA as of March 31 of the current year. The amount and timing of the recovery or refund is subject to PUB approval.

The RSA passes through to the Company's customers amounts primarily related to changes in the cost and quantity of fuel used by Hydro to produce the electricity sold to the Company. In the absence of rate-regulation these transactions would be accounted for as incurred.

The RSA passes through, to the Company's customers, variations in purchased power expense caused by differences between the actual unit cost of energy and that reflected in customer rates ("energy supply cost variance"). The marginal cost of purchased power for the Company currently exceeds the average cost that is embedded in customer rates. To the extent actual electricity sales in any period exceed forecast electricity sales used to set customer rates, marginal purchased power expense will exceed related revenue. In the absence of rate-regulation, purchased power expense in 2010 would have been $2.2 million higher (2009 - $2.9 million higher). Pursuant to the 2010 GRA, the PUB ordered continued use of the energy supply cost variance until a further order of the PUB.

Effective January 1, 2010, the PUB approved the PEVDA as described in Note 2 to capture the difference between the annual pension expense approved for rate setting purposes and actual pension expense calculated in accordance with Canadian GAAP. The balance in this account will be transferred to the RSA on March 31 in the year in which the difference arises. The amount transferred to the RSA in 2010 was $0.6 million. In the absence of rate-regulation, revenue in 2010 would have been $0.6 million higher.

Effective January 1, 2011, the PUB approved the OPEBs cost variance deferral account as described in Note 2 to capture the difference between the annual OPEBs expense approved for rate setting purposes and actual OPEBs expense calculated in accordance with Canadian GAAP. The balance in this account will be transferred to the RSA on March 31 in the year in which the difference arises.

The RSA is also adjusted from time-to-time by other amounts as approved by the Board.

(ii) OPEBs

This regulatory asset represents the accumulated difference between OPEBs expense recognized on a cash basis for regulatory purposes and an accrual basis for financial reporting purposes since 2000. The accumulated difference arose from the Company's January 1, 2000, adoption of Section 3461 of the CICA Handbook that requires OPEBs expense to be recognized on an accrual basis. Effective January 1, 2011, the PUB ordered the adoption of the accrual method of accounting for OPEBs and the $52.6 million regulatory asset be amortized equally over 15 years. In the absence of rate-regulation, these costs would have been recorded as an operating expense as accrued.

In the absence of rate-regulation, OPEBs costs recognized in 2010 operating expenses would have been $5.8 million higher (2009 - $5.6 million higher).

(iii) Weather Normalization Account

The Weather Normalization Account reduces earnings volatility by adjusting purchased power expense and electricity sales revenue to eliminate variances in purchases and sales caused by the difference between normal weather conditions, based on long-term averages, and actual weather conditions. In the absence of rate-regulation these fluctuations would have been recognized in earnings in the period in which they occurred.

The balance in the Weather Normalization Account, because it is based on long-term averages for weather conditions, should tend to zero over time. However, the Company identified non-reversing balances in the account arising from changes in purchased power rates and income tax rates. In 2008, the PUB ordered that a non-reversing balance of approximately $6.8 million be amortized equally over 2008 - 2012 as an increase in purchased power expense of approximately $2.1 million and a decrease in future income tax expense of approximately $0.7 million in each year.

The recovery period for the remaining balance in the Weather Normalization Account is not determinable as it depends on future weather conditions. In the absence of rate-regulation, revenue in 2010 would have been $20.4 million lower (2009 - $5.8 million lower), purchased power expense in 2010 would have been $29.2 million lower (2009 - $8.8 million lower) and future income tax expense in 2010 would have been $2.9 million higher (2009 - $1.0 million higher).

(iv) Amortization True-Up Deferral

The PUB ordered the deferred recovery of approximately $5.8 million in each of 2006 and 2007, $11.6 million in aggregate, related to a variance in accumulated amortization identified in the 2002 Amortization Study. These deferrals were recorded as an increase in regulatory assets and a decrease in expenses of $5.8 million in each year. The resultant regulatory asset of approximately $11.6 million was amortized evenly over 2008 through 2010. In the absence of rate-regulation, $11.6 million would have been expensed in the original years incurred.

4. Regulatory Assets and Liabilities (cont'd)

(v) Pension Deferral

The PUB ordered that approximately $11.3 million of incremental pension costs arising from the Company's 2005 early retirement program be deferred and amortized to pension expense equally over a ten year period beginning April 1, 2005. In the absence of rate-regulation, these costs would have been expensed in 2005.

(vi) Replacement Energy Deferral

In 2008, the PUB ordered that a $1.1 million regulatory asset, related to the deferred recovery of the cost of replacement energy purchased during the refurbishment of the Company's Rattling Brook Hydroelectric Generating Plant, be amortized equally over 2008 - 2010. This increased purchased power expense by approximately $0.6 million and decreased future income tax expense by approximately $0.2 million in each year. In the absence of rate-regulation, these costs would have been expensed in 2007.

(vii) Deferred GRA Costs

In 2007, the PUB ordered that external costs related to the Company's 2008 GRA be deferred and amortized evenly over 2008 - 2010 as an increase to operating expense. In the absence of rate-regulation, these costs would have been expensed as incurred.

In 2009, the PUB ordered $0.8 million of external costs related to the Company's 2010 GRA be deferred and amortized equally over 2010 - 2012. The actual costs totalled $0.8 million as estimated. In the absence of rate-regulation, these costs would have been expensed in 2009.

(viii) Conservation and Demand Management Deferral

In 2009, the PUB ordered the deferral of $1.4 million of costs, associated with the implementation of conservation and demand management programs. In 2009, the PUB ordered that these costs be amortized evenly over 2010 - 2013 as an increase to operating expense. In the absence of rate-regulation, these costs would have been expensed in 2009.

(ix) Municipal Tax Liability

The municipal tax liability results from a timing difference related to the recovery and payment of municipal taxes. This arose as a result of the PUB approved municipal tax rate adjustment. The PUB ordered that this liability be amortized as other revenue equally over 2008 - 2010. In the absence of rate-regulation, these costs would have been recorded as revenue as incurred.

(x) Unbilled Revenue

Prior to January 1, 2006, revenue from electricity sales was recognized as bills were rendered to customers. Subsequent to this date, revenue is recognized on an accrual basis. The difference between revenue recognized on a billed basis and revenue recognized on an accrual basis as at December 31, 2005, was recorded on the balance sheet as a regulatory liability. As ordered by the PUB, the Company amortized as an increase to revenue approximately $4.6 million of this regulatory liability in 2010 (2009 - $4.6 million). In the absence of rate-regulation, all the unbilled revenue would have been recognized as revenue during 2005.

(xi) Purchased Power Unit Cost Variance Reserve

In 2007, the PUB ordered the discontinuance of the purchased power unit cost variance reserve and that the December 31, 2006, balance in the reserve of approximately $1.3 million be amortized over 2008 - 2010 as a decrease to purchased power. In 2008, the PUB ordered that the balance in the account related to 2007 be transferred to the RSA. In the absence of rate-regulation, the balance in the account would have been expensed as incurred.

(xii) Future Removal and Site Restoration Provision

This regulatory liability represents amounts collected in customer electricity rates over the life of certain property, plant and equipment which are attributable to removal and site restoration costs that are expected to be incurred in the future. Actual removal and site restoration costs, net of salvage proceeds, are recorded against the regulatory liability when incurred.

The regulatory liability represents the amount of expected future removal and site restoration costs associated with property, plant and equipment in service as at December 31, calculated using current amortization rates as approved by the PUB. In the absence of rate-regulation, removal and site restoration costs, net of salvage proceeds, would have been recognized as an operating expense when incurred.

(xiii) Demand Management Incentive Account ("DMI")

Through the DMI, variations in the unit cost of purchased power related to demand are limited, at the discretion of the PUB, to 1% of demand costs reflected in customer rates. The disposition of balances in this account, which would be determined by a further order of the PUB, will consider the merits of the Company's conservation and demand management activities. In the absence of rate-regulation, purchased power expense would have been $1.0 million lower in 2010 and would have had no impact in 2009.

5. Finance Charges

	2010	2009
Interest - first mortgage sinking fund bonds	$ 35,850	$ 34,547
Interest - committed credit facility	316	396
Interest - other	18	15
Total interest expense	36,184	34,958
Amortization - debt issue costs	190	185
Amortization - committed credit facility costs	42	50
Amortization - capital stock issue costs	37	37
AFUDC *(Note 2)*	(820)	(675)
	$ 35,633	$ 34,555

6. Income Taxes

Income taxes vary from the amount that would be determined by applying statutory income tax rates to pre-tax earnings. A reconciliation of the combined federal and provincial statutory income tax rate to the Company's effective income tax rate follows:

6. Income Taxes (cont'd)

	2010	2009
Accounting income per financial statements	$ 51,443	$ 49,293
Statutory tax rate	32.0%	33.0%
Expected tax expense (statutory rate)	16,462	16,267
Items capitalized vs. expensed	(1,323)	(1,226)
Capital cost allowance vs. amortization	1,009	1,113
Pension funding vs. pension expense	(20)	232
Other timing differences	(341)	(53)
Unbilled revenue	(1,309)	(1,524)
Regulatory deferrals	1,392	1,283
Income tax expense	$ 15,870	$ 16,092
Effective income tax rate	30.9%	32.6%

The composition of the Company's income tax expense follows:

	2010	2009
Current income tax expense	$ 17,773	$ 15,590
Future income tax (recovery) expense	(267)	3,382
Regulatory adjustment	(1,636)	(2,880)
	$ 15,870	$ 16,092

The composition of the Company's future income tax liability follows:

	2010	2009
Future income tax liability (asset)		
Property, plant and equipment/intangibles	$ 102,964	$ 97,887
Regulatory assets	25,988	27,265
Regulatory liabilities	(23,463)	(22,373)
Employee future benefits	16,541	19,575
Debt financing costs	1,197	1,140
Net future income tax liability	$ 123,227	$ 123,494
Current future income tax liability	3,211	1,068
Long-term future income tax liability	120,016	122,426
Net future income tax liability	$ 123,227	$ 123,494

As at December 31, 2010, the Company had no capital losses (2009 - Nil) carried forward.

7. Assets Held for Sale

On December 22, 2010, the Company signed a new Support Structure Agreement ("the Agreement"), effective January 1, 2011, with Bell Aliant (formerly Aliant Telecom Inc.) where Bell Aliant will buy back 40% of all joint-use poles and related infrastructure at a price of approximately $45.7 million. This represents approximately 5% of Newfoundland Power's rate base. In 2001, Newfoundland Power purchased Bell Aliant's joint-use poles and related infrastructure under a 10-year Joint-Use Facilities Partnership Agreement ("JUFPA") which expired December 31, 2010. Bell Aliant has rented space on these poles from Newfoundland Power since 2001 with the right to repurchase 40% of all joint-use poles at the end of the term. Bell Aliant exercised the option to buy back these poles from Newfoundland Power.

At December 31, 2010, the Company recorded assets held for sale in the amount of $44.7 million which represents the estimated purchase price less cost to sell. The estimated purchased price is expected to be adjusted upon completion of a pole survey in 2011. Effective January 1, 2011, as a result of the sale, the Company will no longer be receiving pole rental revenue from Bell Aliant. However, Newfoundland Power will be responsible for the construction and maintenance of Bell Aliant's support structure requirements throughout 2011.

The Agreement is subject to certain conditions, including PUB approval of the sale of 40% of the Company's joint-use poles, which must be met by June 30, 2011, or either party may choose to terminate. In the event of termination, the rights and recourses under the JUFPA will remain in effect for both parties. The Company filed an application with the PUB on February 4, 2011, and expects the transaction to close in 2011.

8. Property, Plant and Equipment

	Cost		Accumulated Amortization		Net Book Value	
	2010	2009	2010	2009	2010	2009
Distribution	$ 752,901	$ 718,921	$ 274,142	$ 261,404	$ 478,759	$ 457,517
Transmission and substations	246,762	234,154	90,812	88,199	155,950	145,955
Generation	173,314	168,087	53,259	49,478	120,055	118,609
Transportation and communications	34,716	33,426	18,138	16,710	16,578	16,716
Land, buildings and equipment	69,489	68,553	28,154	27,362	41,335	41,191
Construction in progress	3,584	2,967	-	-	3,584	2,967
Construction materials	4,819	4,263	-	-	4,819	4,263
	1,285,585	1,230,371	464,505	443,153	821,080	787,218
Less assets held for sale *(Note 7)*	(72,775)	-	(28,077)	-	(44,698)	-
	$ 1,212,810	$ 1,230,371	$ 436,428	$ 443,153	$ 776,382	$ 787,218

Distribution assets are used to distribute low voltage electricity to customers and include poles, towers and fixtures, low voltage wires, transformers, overhead and underground conductors, street lighting, metering equipment and other related equipment. Transmission and substations assets are used to transmit high voltage electricity to distribution assets and include poles, high voltage wires, switching equipment, transformers and other related equipment. Generation assets are used to generate electricity and include hydroelectric and thermal generating stations, gas and combustion turbines, dams, reservoirs and other related equipment. Transportation and communications assets include vehicles as well as telephone, radio and other communications equipment. Land, buildings and equipment are used generally in the provision of electricity service, but not specifically in the distribution, transmission or generation of electricity or specifically related to transportation and communication activities.

9. Employee Future Benefits

The Company's defined contribution plans are its individual and group registered retirement savings plans, and an unfunded supplementary employee retirement plan ("SERP"). Benefits are based upon employee earnings. The accrued benefit liability for the SERP is included in other liabilities on the Company's balance sheets (Note 14). During 2010, the Company expensed approximately $1.3 million (2009 - $1.2 million) related to these plans.

The Company's defined benefit plans are its funded defined benefit pension plan, an unfunded pension uniformity plan ("PUP") and OPEBs. Both pension plans are closed to new entrants and provide benefits based on a percentage of the highest 36 consecutive months average base earnings and the employee's years of service. The accrued benefit obligation for all of the Company's defined benefit plans, and the market-related value of plan assets for the Company's funded primary defined benefit pension plan, are measured for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the Company's defined benefit pension plans for funding purposes was as of December 31, 2008, and the next valuation is expected to be as of December 31, 2011. The most recent actuarial valuation of the Company's OPEBs was December 1, 2008.

The accrued benefit asset for the Company's funded primary defined benefit pension plan is included in accrued pension on the Company's balance sheets. The accrued benefits liability for the PUP is included in other liabilities (Note 14).

Details of the Company's defined benefit plans follow:

	2010			2009		
		Unfunded			Unfunded	
	Funded	PUP	OPEB	Funded	PUP	OPEB
Change in accrued benefit obligation						
Balance, beginning of year	$ 221,936	$ 2,318	$ 69,667	$ 190,391	$ 2,169	$ 59,636
Current service costs	4,194	-	1,032	3,420	-	1,008
Interest cost	14,172	144	4,673	13,923	154	4,485
Benefits paid	(11,902)	(215)	(1,696)	(12,131)	(215)	(1,304)
Plan amendments[1]	-	-	(15,191)	-	-	1,004
Actuarial losses	24,036	142	10,749	26,333	210	4,838
Balance, end of year	$ 252,436	$ 2,389	$ 69,234	$ 221,936	$ 2,318	$ 69,667
Change in fair value of plan assets						
Balance, beginning of year	$ 242,731	$ -	$ -	$ 212,599	$ -	$ -
Return on assets	17,002	-	-	17,386	-	-
Benefits paid	(11,902)	(215)	(1,696)	(12,131)	(215)	(1,304)
Actuarial gains	15,221	-	-	18,725	-	-
Employee contributions	1,211	-	-	1,286	-	-
Employer contributions	4,999	215	1,696	4,866	215	1,304
Balance, end of year	$ 269,262	$ -	$ -	$ 242,731	$ -	$ -

	2010			2009		
		Unfunded			Unfunded	
	Funded	PUP	OPEB	Funded	PUP	OPEB
Funded status						
Surplus (deficit), end of year	$ 16,826	$ (2,389)	$ (69,234)	$ 20,795	$ (2,318)	$ (69,667)
Unamortized net actuarial loss	69,798	594	21,547	64,376	474	11,093
Unamortized transitional obligation *(Note 2)*	9,010	326	9,429	10,297	373	10,857
Unamortized past service costs *(Note 2)*	2,121	1	(14,301)	2,334	1	1,004
Accrued benefit asset (liability), end of year	$ 97,755	$ (1,468)	$ (52,559)	$ 97,802	$ (1,470)	$ (46,713)
Effect of 1% increase in health care cost trends on:						
Accrued benefit obligation	-	-	$ 8,587	-	-	$ 9,439
Service costs and interest cost	-	-	$ 862	-	-	$ 830
Effect of 1% decrease in health care cost trends on:						
Accrued benefit obligation	-	-	$ (7,033)	-	-	$ (7,606)
Service costs and interest cost	-	-	$ (679)	-	-	$ (655)
Significant assumptions						
Discount rate during year	6.50%	6.50%	6.70%	7.50%	7.50%	7.50%
Discount rate as at December 31	5.75%	5.75%	5.75%	6.50%	6.50%	6.70%
Expected long-term rate of return on plan assets	7.00%	-	-	7.00%	-	-
Rate of compensation increases	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Health care cost trend increases as at December 31	-	-	4.55%	-	-	4.50%
Expected average remaining service of active employees	10 years	10 years	15.5 years	11 years	11 years	14 years
Net benefit expense						
Current service costs	$ 2,983	$ -	$ 1,032	$ 2,134	$ -	$ 1,008
Interest cost	14,172	144	4,673	13,923	154	4,485
Expected return on plan assets	(17,002)	-	-	(17,386)	-	-
Amortization of transitional obligation	1,287	47	1,428	1,287	47	1,428
Amortization of net actuarial loss	3,393	22	295	-	5	22
Amortization of past service costs	212	-	114	253	-	-
Regulatory adjustment *(Note 4)*	1,128	-	(5,846)	1,128	-	(5,639)
Net benefit expense	$ 6,173	$ 213	$ 1,696	$ 1,339	$ 206	$ 1,304
Asset allocation						
Fixed income	39%	-	-	40%	-	-
Equities	42%	-	-	40%	-	-
Foreign equities	19%	-	-	20%	-	-

[1] *The Company amended its OPEBs plan effective January 1, 2011. The key plan amendments include the introduction of a 50% member-paid cost sharing arrangement for retirees over the age of 65, the removal of the current $5,000 annual benefit cap, and the introduction of drug dispensing fees. The plan changes will not impact existing retirees. Employees who retire on or before December 31, 2012, or are eligible for full pension by December 31, 2012, can choose between either plan.*

The impact of this amendment is being amortized evenly over the next 10 years which is the expected average remaining service period to qualify for a full pension.

10. Intangible Assets

	Cost		Accumulated Amortization		Net Book Value	
	2010	2009	2010	2009	2010	2009
Computer software	$ 29,223	$ 30,533	$ 16,339	$ 16,892	$ 12,884	$ 13,641
Land rights	6,780	6,754	4,354	4,282	2,426	2,472
	$ 36,003	$ 37,287	$ 20,693	$ 21,174	$ 15,310	$ 16,113

11. Other Assets

	2010	2009
Customer finance plans	$ 1,647	$ 1,679
Capital stock issue costs	-	38
	$ 1,647	$ 1,717

Customer finance plans represent the non-current portion of loans to customers for certain new service requests and energy efficiency upgrades. The current portion of these loans is classified as accounts receivable. In the case of new service requests, and as prescribed by the PUB, interest is charged at a fixed rate of prime plus 3% for repayment periods up to 60 months and prime plus 4% for repayment periods of 61 months to 120 months. In the case of energy efficiency upgrades, interest is charged at a fixed rate of prime plus 4% for a maximum repayment period of 60 months. All loan instalments are made through the customers' monthly electricity bill payments. The balance of any loan may be repaid at any time without penalty.

12. Credit Facilities

Newfoundland Power has unsecured bank credit facilities of $120.0 million comprised of a syndicated $100.0 million committed revolving term credit facility which matures on August 27, 2013, and a $20.0 million demand facility. During the year, the $100.0 million committed credit facility was renegotiated on similar terms as the previous facility, with an increase in pricing.

Borrowings under the committed credit facility have been classified as long-term as the committed credit facility expires in 2013. Management intends to refinance these amounts in the future with the issuance of other long-term debt. These borrowings are in the form of bankers acceptances bearing interest based on the daily Canadian Deposit Offering Rate for the date of borrowing plus a stamping fee. Standby fees on the unutilized portion of the committed credit facility are payable quarterly in arrears at a fixed rate of 0.3125%. Borrowings under the demand facility are classified as current and interest is calculated at the daily prime rate and is payable monthly in arrears.

The utilized and unutilized credit facilities as at December 31 follow:

	2010	2009
Total credit facilities	$ 120,000	$ 120,000
Borrowings under committed credit facility *(Note 13)*	(15,000)	(13,500)
Credit facilities available	$ 105,000	$ 106,500

13. Long-term Debt

	Maturity Date	2010	2009
First mortgage sinking fund bonds			
10.550% $40 million Series AD	2014	$ 30,153	$ 30,553
10.900% $40 million Series AE	2016	32,400	32,800
10.125% $40 million Series AF	2022	32,800	33,200
9.000% $40 million Series AG	2020	33,600	34,000
8.900% $40 million Series AH	2026	34,435	34,835
6.800% $50 million Series AI	2028	44,000	44,500
7.520% $75 million Series AJ	2032	69,000	69,750
5.441% $60 million Series AK	2035	56,400	57,000
5.901% $70 million Series AL	2037	67,200	67,900
6.606% $65 million Series AM	2039	63,700	64,350
Committed credit facility *(Note 12)*	2013	15,000	13,500
		478,688	482,388
Less: current instalments of long-term debt		5,200	5,200
		473,488	477,188
Less: debt issue costs		3,206	3,138
		$ 470,282	$ 474,050

First mortgage sinking fund bonds are secured by a first fixed and specific charge on property, plant and equipment owned or to be acquired by the Company and by a floating charge on all other assets. They require an annual sinking fund payment of 1% of the original principal balance.

Future payments required to meet sinking fund instalments, maturities of long-term debt and long-term credit facilities follow:

Year	$thousands
2011	5,200
2012	5,200
2013	20,200
2014	33,753
2015	4,800
Thereafter	409,535

14. Other Liabilities

	2010	2009
Defined benefit pension liability - unfunded *(Note 9)*	$ 1,468	$ 1,470
Security deposits	705	581
Defined contribution pension liability *(Note 9)*	2,080	1,909
	$ 4,253	$ 3,960

14. Other Liabilities (cont'd)

Security deposits are advance cash collections from certain customers to guarantee the payment of electricity bills. The security deposit liability includes interest credited to customer deposits. The current portion of security deposits is reported in accounts payable and accrued charges.

15. Capital Stock

Authorized

(a) an unlimited number of Class A and Class B Common Shares without nominal or par value. The shares of each class are inter-convertible on a share-for-share basis and rank equally in all respects including dividends. The Board of Directors may provide for the payment, in whole or in part, of any dividends to Class B shareholders by way of a stock dividend;

(b) an unlimited number of First Preference Shares and Second Preference Shares without nominal or par value, except that each Series A, B, D and G First Preference Share has a par value of $10. The issued First Preference Shares are entitled to cumulative preferential dividends and are redeemable at the option of the Company at a premium not in excess of the annual dividend rate. Series D and G First Preference Shares are subject to the operation of purchase funds and the Company has the right to purchase limited amounts of these shares at or below par.

Issued

	2010		2009	
	Number of Shares	Amount	Number of Shares	Amount
Class A common shares	10,320,270	$ 70,321	10,320,270	$ 70,321
First preference shares				
5.50% Series A	179,225	1,792	179,225	1,792
5.25% Series B	337,983	3,380	337,983	3,380
7.25% Series D	210,890	2,109	210,890	2,109
7.60% Series G	183,000	1,830	183,000	1,830
	911,098	$ 9,111	911,098	$ 9,111

At December 31, 2010, Fortis held 232,194 or approximately 25.5% of the Company's issued and outstanding First Preference Shares.

16. Related Party Transactions

The Company provides services to, and receives services from, its parent company, Fortis, and other subsidiaries of Fortis. The Company also incurs charges from Fortis for the recovery of general corporate expenses incurred by Fortis. Related party revenue primarily relates to electricity sales. These transactions are in the normal course of business and are recorded at their exchange amounts.

Related party transactions included in revenue, operating expenses and finance charges in 2010 and 2009, and in accounts receivable at December 31 of these years, follow:

	2010		2009	
	Fortis	Other Affiliates	Fortis	Other Affiliates
Revenue	$ 189	$ 4,255	$ 181	$ 4,313
Operating expenses	1,863	250	1,561	68
Accounts receivable	$ 45	$ 39	$ 52	$ 26

17. Capital Management

Newfoundland Power's primary objectives when managing capital are: (i) to ensure continued access to capital at reasonable cost; and (ii) to provide an adequate return to its common shareholder commensurate with the level of risk associated with the shareholder's investment in the Company.

The Company requires ongoing access to capital because its business is capital intensive. Capital investment is required to ensure continued and enhanced performance, reliability and safety of its electricity systems and to meet customer growth.

The Company operates under cost of service regulation. The cost of capital is ultimately borne by its customers. Access to capital at reasonable cost is a core aspect of the Company's business strategy, which is to operate a sound electricity system and to focus on the safe, reliable delivery of electricity service to its customers in the most cost-efficient manner possible.

The capital managed by the Company is composed of debt (first mortgage sinking fund bonds, bank credit facilities, short-term borrowings and cash/bank indebtedness), common equity (common shares and retained earnings) and preference equity.

The Company has historically generated sufficient annual cash flows from operating activities to service annual interest and sinking fund payments on debt, to pay dividends and to finance a major portion of its annual capital program. Additional financing to fully fund the annual capital program is primarily obtained through the Company's bank credit facilities and these borrowings are periodically refinanced along with any maturing bonds through the issuance of long-term first mortgage sinking fund bonds. The Company currently does not expect any material changes in these basic cash flow and financing dynamics over the foreseeable future, with the exception of an increase in cash flow from the Bell Aliant joint-use pole sale (Note 7) which is expected to extend the timing of the next bond issue.

Newfoundland Power endeavours to maintain a capital structure comprised of approximately 55% debt and 45% common equity. This capital structure is reflected in customer rates. It is also consistent with the Company's current investment grade credit ratings, thereby ensuring continued access to capital at reasonable cost. The Company maintains this capital structure primarily by managing its common share dividends.

A summary of the Company's capital structure as at December 31 follows:

	2010		2009	
	$	%	$	%
Debt[1]	471,300	53.5	473,942	54.8
Common equity	400,502	45.5	381,185	44.1
Preference equity	9,111	1.0	9,111	1.1
	880,913	100.0	864,238	100.0

[1] *Includes bank indebtedness or net of cash, if applicable.*

17. Capital Management (cont'd)

The issuance of debt with a maturity that exceeds one year requires the prior approval of the PUB. The issuance of first mortgage sinking fund bonds is subject to an earnings covenant whereby the ratio of: (i) annual earnings applicable to common shares, before bond interest and tax; to (ii) annual bond interest incurred plus annual bond interest to be incurred on the contemplated bond issue, must be two times or higher. Under its committed credit facility, the Company must also ensure that its Debt to Capitalization ratio does not exceed 0.65:1.00 at any time. During the year, and as at December 31, 2010, the Company was in compliance with all of its debt covenants.

18. Financial Instruments

The Company has designated its financial instruments as at December 31 as follows:

	2010		2009	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Held for trading				
Cash	$ 4,182	$ 4,182	$ 5,308	$ 5,308
Loans and receivables				
Accounts receivable	61,654	61,654	64,553	64,553
Customer finance plans[1]	1,647	1,647	1,679	1,679
Other financial liabilities				
Accounts payable and accrued charges	64,269	64,269	65,727	65,727
Security deposits[2]	705	705	581	581
Long-term debt, including current portion and committed credit facility	$ 478,688	$ 581,275	$ 482,388	$ 581,989

1 *Included in other assets on the balance sheet.*
2 *Included in other liabilities on the balance sheet.*

Fair Values: The fair value of long-term debt, including current portion and committed credit facility, is calculated by discounting the future cash flows of each debt instrument at the estimated yield-to-maturity equivalent to benchmark government bonds, with similar terms to maturity, plus a market credit risk premium equal to that of issuers of similar credit quality. Since the Company does not intend to settle its debt instruments before maturity, the fair value estimate does not represent an actual liability and, therefore, does not include exchange or settlement costs.

The fair value of the Company's remaining financial instruments approximates their carrying value, reflecting their nature, short-term maturity or normal trade credit terms.

The fair value of the Company's financial instruments reflects a point-in-time estimate based on current and relevant market information about the instruments as at the balance sheet date. The estimates cannot be determined with precision as they involve uncertainties and matters of judgement, and therefore, may not be relevant in predicting the Company's future earnings or cash flows.

Credit Risk: There is risk that Newfoundland Power may not be able to collect all of its accounts receivable and amounts owing under its customer finance plans.

These financial instruments, which arise in the normal course of business, do not represent a significant concentration of credit risk as amounts are owed by a large number of customers on normal credit terms. The requirement for security deposits for certain customers, which are advance cash collections from customers to guarantee payment of electricity billings, further reduces the exposure to credit risk. The maximum exposure to credit risk is the net carrying value of these financial instruments.

Newfoundland Power manages credit risk primarily by executing its credit and collection policy, including the requirement for security deposits, through the resources of its Customer Relations Department.

The aging of accounts receivable and amounts owing under customer finance plans, past due but not impaired, as at December 31 follow:

	2010	2009
Not past due	$ 31,947	$ 33,077
Past due 1-30 days	24,654	26,809
Past due 31-60 days	5,351	4,942
Past due 61-90 days	1,148	1,156
Past due over 90 days	201	248
	$ 63,301	$ 66,232

Liquidity Risk: The Company's financial position could be adversely affected if it failed to arrange sufficient and cost-effective financing to fund, among other things, capital expenditures and repayment of maturing debt.

The ability to arrange such financing is subject to numerous factors, including the results of operations and financial position of the Company, conditions in the capital and bank credit markets, ratings assigned by ratings agencies and general economic conditions. These factors are mitigated by the legal requirement as outlined in the *Electrical Power Control Act* which requires rates be set to enable the Company to achieve and maintain a sound credit rating in the financial markets of the world.

Newfoundland Power manages short-term liquidity risk primarily by maintaining bank credit facilities. The Company has unsecured facilities of $120.0 million, comprised of a syndicated $100.0 million committed credit facility and a $20.0 million demand facility.

Newfoundland Power manages long-term liquidity risk primarily by maintaining its investment grade credit ratings.

As at December 31, 2010, the fair value of the Company's primary defined benefit pension plan assets was $269.3 million compared to the fair value of plan assets of $242.7 million as at December 31, 2009.

Based on the Actuarial Valuation Report as at December 31, 2008, the solvency deficit was $6.9 million ($7.7 million inclusive of interest). The solvency deficit is required to be funded over a 5-year period, which commenced in 2009. See Note 19. The Company has fulfilled its 2010 annual solvency deficit funding requirement of $1.5 million. The Company does not expect any difficulty in its ability to meet future pension funding requirements as it expects the amounts will be financed from a combination of cash generated from operations and amounts available for borrowing under existing credit facilities.

18. Financial Instruments (cont'd)

The contractual maturities of the Company's financial liabilities at December 31, 2010, follow:

($millions)	Total	Due Within 1 Year	Due in Years 2 & 3	Due in Years 4 & 5	Due After 5 Years
Accounts payable and accrued charges	63.8	63.8	-	-	-
Security deposits[1]	1.2	0.5	0.7	-	-
Credit facilities (unsecured)	15.0	-	15.0	-	-
Interest on first mortgage sinking fund bonds and committed credit facility	544.0	35.7	69.7	63.8	374.8
First mortgage sinking fund bonds[2]	463.7	5.2	10.4	38.6	409.5
Total	1,087.7	105.2	95.8	102.4	784.3

[1] *Included in accounts payable and accrued charges and other liabilities.*
[2] *First mortgage sinking fund bonds are secured by a first fixed and specific charge on property, plant and equipment owned or to be acquired by the Company and by a floating charge on all other assets.*

Market Risk: Exposure to foreign exchange rate fluctuations is immaterial.

Market driven changes in interest rates and changes in the Company's credit ratings can cause fluctuations in interest costs associated with the Company's bank credit facilities. For the year ended December 31, 2010, each 25 basis points change in interest rates on the Company's credit facilities would have caused a $34,000 change in credit facility interest costs and a $23,000 change in earnings (2009 - $43,000 and $29,000, respectively).

The Company periodically refinances its credit facilities in the normal course with fixed-rate first mortgage sinking fund bonds thereby significantly mitigating exposure to interest rate changes.

Changes in interest rates and/or changes in the Company's credit ratings can affect the interest rate on first mortgage sinking fund bonds at the time of issue.

The Company's defined benefit pension plan is impacted by economic conditions. There is no assurance that the pension plan assets will earn the expected long-term rate of return in the future. Market driven changes impacting the performance of the pension plan assets may result in material variations from the expected long-term return on the assets. This may cause material changes in future pension liabilities and pension expense. Market driven changes impacting the discount rate may also result in material variations in future pension liabilities and pension expense. Effective January 1, 2010, pursuant to the 2010 GRA, the operation of the PEVDA is expected to significantly mitigate the impact on the Company's pension expense as described in Note 2.

19. Commitments

The Company is obligated to provide service to customers, resulting in ongoing capital expenditure commitments. Capital expenditures are subject to PUB approval. The Company's 2011 capital plan provides for capital expenditures of approximately $73.0 million and was approved by the PUB in November 2010.

The Company's defined benefit pension funding contributions, including current service and solvency deficit funding amounts, are based on estimates provided by the December 31, 2008, Actuarial Valuation Report as follows:

($millions)	2011	2012[1]	2013[1]	Total
Current service costs	3.6	-	-	3.6
Solvency deficit funding	1.6	1.6	1.5	4.7
Total	5.2	1.6	1.5	8.3

[1] *The next actuarial valuation at December 31, 2011, will determine the current service funding as well as the solvency deficit funding, if any.*

20. Comparative Figures

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.

10 Year Summary

	2010	2009[1]	2008	2007	2006	2005	2004	2003	2002	2001
Income Statement Items *($thousands)*										
Revenue	554,950	527,179	516,889	491,709	422,405	419,963	404,447	384,150	369,627	359,305
Purchased power	358,443	345,656	336,658	326,778	257,157	255,954	244,012	227,964	210,764	202,479
Operating, pension and ERP costs	62,211	51,988	50,172	53,202	53,996	53,812	51,755	51,799	50,767	52,908
Amortization[2]	47,220	45,687	44,511	34,162	33,129	32,143	30,987	29,372	35,442	34,003
Finance charges	35,633	34,555	33,507	34,939	33,819	31,369	30,393	30,009	26,853	26,700
Income taxes	15,870	16,092	19,146	12,176	13,639	15,368	15,586	14,945	16,381	13,730
Net earnings applicable to common shares	35,005	32,628	32,341	29,866	30,078	30,729	31,122	29,460	28,807	28,862
Balance Sheet Items *($thousands)*										
Property, plant and equipment	1,212,810	1,230,371	1,181,433	1,173,642	1,119,820	1,085,106	1,050,913	1,009,448	949,478	914,735
Assets held for sale	44,698	-	-	-	-	-	-	-	-	-
Intangible assets[3]	36,003	37,287	37,633	-	-	-	-	-	-	-
Accumulated amortization	457,121	464,327	444,109	422,848	402,683	387,815	420,836	407,319	381,003	369,659
Net capital assets	836,390	803,331	774,957	750,794	717,137	697,291	630,077	602,129	568,475	545,076
Total assets	1,191,076	1,165,187	1,001,855	985,930	929,158	889,013	825,310	744,375	704,598	667,289
Long-term debt (including current instalments)	475,482	479,250	438,154	443,527	414,489	395,298	328,558	332,208	335,858	263,758
Preference shares	9,111	9,111	9,352	9,352	9,353	9,410	9,417	9,429	9,709	9,709
Common equity	400,502	381,185	373,738	356,671	335,887	323,972	316,360	299,480	279,515	260,203
Total capital	885,095	869,546	821,244	809,550	759,729	728,680	654,335	641,117	625,082	533,670
Operating Statistics *(GWh)*										
Sources of Electricity (normalized)										
Purchased	5,308	5,188	5,088	5,013	4,876	4,873	4,841	4,725	4,604	4,495
Generated	425	426	426	381	417	426	424	425	424	416
Total	5,733	5,614	5,514	5,394	5,293	5,299	5,265	5,150	5,028	4,911
Electricity sales (normalized)										
Residential	3,311	3,203	3,130	3,044	2,981	2,987	2,972	2,909	2,843	2,775
Commercial and street lighting	2,108	2,096	2,078	2,049	2,014	2,017	2,007	1,973	1,922	1,892
Total	5,419	5,299	5,208	5,093	4,995	5,004	4,979	4,882	4,765	4,667
Electricity sales per employee	9.5	9.3	9.5	9.2	9.0	9.0	8.3	8.1	7.8	7.5
Customers *(year-end)*										
Residential	211,091	207,335	204,204	201,045	198,568	196,412	193,912	191,314	188,925	186,828
Commercial and street lighting	32,335	31,972	31,574	31,217	30,932	30,889	30,552	30,339	30,147	30,051
Total	243,426	239,307	235,778	232,262	229,500	227,301	224,464	221,653	219,072	216,879
Operating cost per customer *($)*[4]	234	214	208	213	212	218	220	225	223	231
Number of regular full-time employees	572	572	551	555	552	556	599	606	610	626

1 *Certain comparative figures have been reclassified to conform with current year presentation.*
2 *Amount for 2007 and 2006 is net of a regulatory deferral of $5.8 million, as approved by the PUB.*
3 *Beginning in 2008, intangible assets were reported separately on the Balance Sheet.*
4 *Operating cost per customer is calculated excluding pension and early retirement program costs. In 2010, operating costs were inclusive of conservation programming costs and the effects of Hurricane Igor.*

Board of Directors

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Chair, Board of Directors
President
Bartlett Enterprises Inc.
Grand Falls-Windsor,
Newfoundland & Labrador

Frank Davis•
Chair, Governance & Human Resources Committee
Corporate Director
St. John's,
Newfoundland & Labrador

Nora Duke
President & Chief Executive Officer
Fortis Properties Corp.
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Newfoundland & Labrador

Georgina Hedges•
Owner/Operator
The Doctor's Inn
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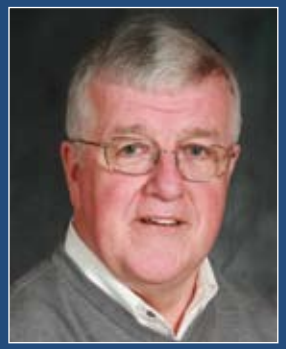
St. John's,
Newfoundland & Labrador



Edward Murphy*
Senior Vice President of Finance
Pennecon Limited
St. John's,
Newfoundland & Labrador

Fred O'Brien
President & Chief Executive Officer
Maritime Electric Company, Ltd.
Charlottetown,
Prince Edward Island

Barry Perry•
Vice President,
Finance & Chief Financial Officer
Fortis Inc.
St. John's,
Newfoundland & Labrador

Bruce Simmons*
President & Chief Executive Officer
Hammond Farm Ltd.
Corner Brook,
Newfoundland & Labrador

Jo Mark Zurel*
Chair, Audit & Risk Committee
President
Stonebridge Capital Inc.
St. John's,
Newfoundland & Labrador

* Audit & Risk Committee • Governance & Human Resources Committee

Jocelyn Perry, Vice President, Finance and Chief Financial Officer
Peter Alteen, Vice President, Regulation and Planning
Earl Ludlow, President and Chief Executive Officer
Gary Smith, Vice President, Customer Operations and Engineering

Community Partners

We are proud that community groups throughout the province can count on us for support. We were pleased to provide financial, in-kind and hands on assistance to the following organizations and many more in 2010:

Health

The Dr. H. Bliss Murphy Cancer Care Foundation, PRIORITY: The Campaign for Cancer Care, The Burin Peninsula Health Care Foundation, The Western Memorial Health Care Foundation, The Children's Wish Foundation, The Newfoundland & Labrador Down Syndrome Society, Juvenile Diabetes Research Foundation, The Arthritis Society (Newfoundland & Labrador Division), Alzheimer Society of Newfoundland & Labrador, Trinity Conception Placentia Health Care Foundation, Janeway Children's Hospital Foundation, Learning Disabilities Association of Newfoundland & Labrador, Heart and Stroke Foundation of Newfoundland & Labrador, Canadian Blood Services, Canadian Mental Health Association, The Health Care Foundation

Safety

Newfoundland & Labrador Association of Fire Services, Firefighter Electricity Safety Training, Learn Not to Burn Program, Child Find Newfoundland & Labrador, School Electricity Safety Program, Safety Services Newfoundland Labrador, Newfoundland & Labrador Crime Stoppers, Newfoundland & Labrador Snowmobile Federation, Triple Bay Eagles Ground Search and Rescue

Environment

Atlantic Salmon Federation, Tree Canada, Newfoundland & Labrador Home Builders' Association, Thomas Howe Demonstration Forest, Trans Canada Trail Foundation, Marystown Community Pride, Rennies River Development Foundation, Corner Brook Stream Development Corporation

Education & Youth

Junior Achievement of Newfoundland & Labrador, Memorial University of Newfoundland, College of the North Atlantic, Sport Newfoundland & Labrador, Scouts Canada, Church Lads' Brigade, Special Olympics, 2010 Newfoundland & Labrador Winter Games

Community

Newfoundland & Labrador Region of the Canadian Red Cross, Community Food Sharing Association, Coats for Kids, Habitat for Humanity, Community Sector Council Newfoundland & Labrador

Arts & Culture

Newfoundland Symphony Orchestra, Kiwanis Music Festival Association, Resource Centre for the Arts

Investor Information

Head Office
55 Kenmount Road, P.O. Box 8910
St. John's, NL A1B 3P6
Tel: (709) 737-2802
Fax: (709) 737-5300

Share Transfer Agent and Registrar
Computershare Trust Company of Canada
1500 University Street, Suite 700
Montreal, QC H3A 3S8
Tel: (514) 982-7888
Fax: (514) 982-7635
computershare.com

Annual General Meeting
Tuesday, May 10, 2011 at 8:00 a.m.
Main Boardroom, 3rd Floor
Newfoundland Power Inc.
55 Kenmount Road
St. John's, NL A1B 3P6

Investor Information
Peter Alteen, Corporate Secretary
55 Kenmount Road, P.O. Box 8910
St. John's, NL A1B 3P6
Tel: (709) 737-5859
palteen@newfoundlandpower.com

Website
newfoundlandpower.com

Email
contactus@newfoundlandpower.com

Fortis Websites
Fortis Inc.
fortisinc.com
FortisAlberta Inc.
fortisalberta.com
FortisBC Inc.
fortisbc.com
FortisOntario Inc.
fortisontario.com
Maritime Electric Company, Limited
maritimeelectric.com
Belize Electricity Limited
bel.com.bz
Caribbean Utilities Company, Ltd.
cuc-cayman.com
Fortis Properties Corporation
fortisproperties.com
Fortis Turks and Caicos
provopowercompany.com

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Kristine Hamlyn, Oscar Kaus and Eric Stephenson

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Newfoundland Power Inc.
P.O. Box 8910
St. John’s, NL A1B 3P6

newfoundlandpower.com

IN THE MATTER OF
the 2010 Annual Returns
of Newfoundland Power
Inc. filed pursuant to
Section 59(2) of the
Public Utilities Act.

AFFIDAVIT

I, Jocelyn Perry, of the Town of Conception Bay South in the Province of Newfoundland and Labrador, Chartered Accountant, make oath and say as follows:

1. That I am Vice-President, Finance and Chief Financial Officer of Newfoundland Power Inc.

2. That to the best of my knowledge, information and belief, the information contained in the 2010 Annual Report and accompanying returns of Newfoundland Power Inc., filed with the Board of Commissioners of Public Utilities pursuant to section 59(2) of the *Public Utilities Act* is true and accurate.

SWORN to before me at St. John's
in the Province of Newfoundland and Labrador
this 1st day of April, 2011:

Barrister – Newfoundland & Labrador

Jocelyn Perry

Newfoundland Power Inc.
Names and Addresses of Officers and Directors
as of December 31, 2010

Name	Address	Position Held
Peter Alteen	38 Mansfield Crescent St. John's, NL A1E 5E3	Vice President; Corporate Secretary
Peggy Bartlett	173 Grenfell Heights Grand Falls-Windsor, NL A2A 2J7	Chair, Board of Directors
Frank Davis	2 Crabapple Place St. John's, NL A1A 5L7	Director
Nora Duke	18 Jacaranda Place St. John’s, NL A1H 1A2	Director
Georgina Hedges	5 Burden’s Road Eastport, NL A0G 1Z0	Director
Earl Ludlow	33 Ortega Drive Paradise, NL A1L 2L1	President and Chief Executive Officer; Director
Edward Murphy	5 Lambert Place St. John's, NL A1A 3X4	Director
Fred O'Brien	389 Church Street Alberton, PEI C0B 1B0	Director
Barry Perry	14 Collingwood Crescent Mount Pearl, NL A1N 5C6	Director
Jocelyn Perry	6 Maple Street Conception Bay South, NL A1W 5M8	Vice President and Chief Financial Officer
Bruce Simmons	1 Hammond Drive Little Rapids, NL A2H 2N2	Director

Newfoundland Power Inc.
Names and Addresses of Officers and Directors
as of December 31, 2010

Name	Address	Position Held
Gary Smith	89 Cheyne Drive St. John's, NL A1A 5W5	Vice President
Jo Mark Zurel	16 Regent Street St. John's, NL A1A 5A4	Director

Newfoundland Power Inc.
Computation of Average Rate Base
For The Years Ended December 31
($000s)

		2010	2009
1	**Net Plant Investment**		
2	Plant Investment - Return 4	1,393,801	1,338,408
3	Accumulated Amortization - Return 6	(585,245)	(562,009)
4	Contributions in Aid of Construction - Return 7	(30,266)	(29,017)
5		778,290	747,382
6			
7	**Additions to Rate Base**		
8	Deferred Charges - Return 8	102,807	103,761
9	Deferred Energy Replacement Costs - Return 9	-	383
10	Cost Recovery Deferral - Hearing Costs - Return 9	507	201
11	Cost Recovery Deferral - Depreciation - Return 9	-	3,862
12	Cost Recovery Deferral - Conservation - Return 9	682	948
13	Customer Finance Programs - Return 10	1,647	1,679
14	Weather Normalization Reserve - Return 17	(1,954)	3,919
15		103,689	114,753
16			
17	**Deductions from Rate Base**		
18	Municipal Tax Liability - Return 9	-	1,363
19	Unrecognized 2005 Unbilled Revenue - Return 9	-	4,618
20	Customer Security Deposits - Return 10	705	581
21	Accrued Pension Obligation - Return 10	3,548	3,379
22	Future Income Taxes - Return 23	3,617	2,297
23	Demand Management Incentive Account - Return 18	676	-
24	Purchased Power Unit Cost Variance Reserve - Return 19	-	447
25		8,546	12,685
26			
27	**Year End Rate Base**	873,433	849,450
28			
29	**Average Rate Base Before Allowances**	861,442	834,228
30			
31	**Rate Base Allowances**		
32	Materials and Supplies Allowance - Return 11	4,476	4,366
33	Cash Working Capital Allowance - Return 12	9,292	9,899
34			
35	**Average Rate Base at Year End**	875,210	848,493

Newfoundland Power Inc.
Plant Investment
For The Year Ended December 31, 2010
($000s)

		Opening Balance	Adjustments[1]	Additions	Retirements	Year End Balance
1	Power Generation					
2	Hydro	147,011	-	5,643	618	152,036
3	Diesel	3,034	-	3	2	3,035
4	Gas Turbine	18,043	-	202	2	18,243
5		168,088	-	5,848	622	173,314
6						
7	Substations	141,729	-	10,335	1,974	150,090
8	Transmission	102,283	-	5,916	1,273	106,926
9	Distribution	770,749	-	43,171	6,767	807,153
10	General Property	50,945	-	1,377	365	51,957
11	Transportation	22,717	-	2,394	1,035	24,076
12	Communications	10,709	-	340	408	10,641
13	Computer Software	29,742	731	1,870	3,341	29,002
14	Computer Hardware	9,172	(731)	1,550	1,623	8,368
15	Government Contributions	23,109	-	-	-	23,109
16		1,161,155	-	66,953	16,786	1,211,322
17						
18	Total Depreciable Plant	1,329,243	-	72,801	17,408	1,384,636
19						
20	Non Depreciable Land	9,165	-	-	-	9,165
21						
22	Plant Investment Included In Rate Base	1,338,408	-	72,801	17,408	1,393,801
23						
24	Construction Work In Progress					3,804
25						
26	Total Plant Investment[2]					1,397,605
27						
28						
29						

30 [1] Adjustments are due to asset reclassification and redistribution of original cost based on final project details.

31

32 [2] A reconciliation of the Total Plant Investment used in the calculation of average rate base for 2010 to the plant investment shown
33 in Return 1 is as follows:

		(000s)
34		
35	2010 Capital Assets shown in Return 1 (Note 8 to Financial Statements)	1,212,810
36	Add: Contributions in Aid of Construction - Return 7	80,828
37	Add: Assets held for sale (Note 8 to Financial Statements)	72,775
38	Add: Plant Investment classified as Intangibles (Note 10 to Financial Statements)	36,003
39	Deduct: Inventories included in Plant Investment for financial reporting purposes	(4,811)
40	2010 Total Plant Investment	1,397,605

Newfoundland Power Inc.
Capital Expenditure
For The Year Ended December 31, 2010
($000s)

		Approved By Board[1]	Actual	Variance[2]
1	Generation			
2	Hydro	5,279	4,973	(306)
3	Thermal	150	189	39
4		5,429	5,162	(267)
5				
6	Substations	10,218	9,341	(877)
7				
8	Transmission	5,915	2,931	(2,984)
9				
10	Distribution	31,965	38,765	6,800
11				
12	General Property	1,381	1,320	(61)
13				
14	Transportation	2,352	2,287	(65)
15				
16	Telecommunications	379	324	(55)
17				
18	Information Systems	3,490	3,393	(97)
19				
20	Unforeseen	6,850	6,133	(717)
21				
22	General Expenses Capital	2,800	3,316	516
23				
24		70,779	72,972	2,193
25				
26				
27	Projects carried forward from 2008 and 2009[3]		607	
28				

29 [1] Approved by Order Nos. P.U. 41 (2009), P.U. 17 (2010), and P.U. 35 (2010).
30
31 [2] Variance explanations are provided in Newfoundland Power Inc.'s 2010 Capital Expenditure Report
32 filed with the Board on March 1, 2011.
33
34 [3] The projects carried forward from 2008 and 2009 include $384,000 from the Water Street Underground
35 project and $223,000 from the Vale Inco line extension project.

Newfoundland Power Inc.
Accumulated Amortization
For The Year Ended December 31, 2010
($000s)

1	Opening Balance - January 1, 2010	562,009
2		
3	Add:	
4	Amortization of Fixed Assets[1]	43,358
5	Amortization of Contributions - Government - Return 7	57
6	Amortization of Contributions - Customers - Return 7	1,483
7	Salvage	998
8		45,896
9		
10		
11	Deduct:	
12	Cost of Removal (Net of Income Tax)	5,252
13	Retirements	17,408
14		22,660
15		
16	Closing Balance - December 31, 2010[2]	585,245
17		
18		
19		

20 [1] The amortization rates for 2010 are from the 2006 Depreciation Study based on plant in service
21 at December 31, 2005 and approved in Order No. P.U. 32 (2007).

22	Hydro	2.17%
23	Diesel	4.28%
24	Gas Turbine	4.81%
25	Substations	2.63%
26	Transmission	3.28%
27	Distribution	3.14%
28	General Property	2.94%
29	Transportation	10.28%
30	Telecommunications	6.18%
31	Computer Software	10.00%
32	Computer Hardware	20.00%

33

34 [2] The accumulated amortization shown in Return 1 (Note 8 to the Financial Statements) is before
35 adjustment for contributions in aid of construction, site restoration costs and intangibles.

		(000s)
36		
37	Accumulated Amortization shown in Return 1 (Note 8)	436,428
38	Add: Amortization of Contributions - Return 7	50,562
39	Add: Site Restoration Costs - Return 1 (Note 4)	49,485
40	Add: Accumulated Amortization of Assets Held for Sale - Return 1 (Note 8)	28,077
41	Add: Accumulated Amortization classified as Intangibles - Return 1 (Note 10)	20,693
42	2010 Accumulated Amortization for Average Rate Base	585,245

Newfoundland Power Inc.
Contributions in Aid of Construction
For The Year Ended December 31, 2010
($000s)

		Customers	Government	Total
1	Gross Contributions to January 1, 2010	54,931	23,108	78,039
2				
3	Add: Contributions Received in 2010	2,789	-	2,789
4				
5	Gross Contributions to December 31, 2010	57,720	23,108	80,828
6				
7				
8	Amortizations to January 1, 2010	26,494	22,528	49,022
9				
10	Add: Amortization in 2010	1,483	57	1,540
11				
12	Amortizations to December 31, 2010	27,977	22,585	50,562
13				
14				
15	Unamortized Contributions to December 31, 2010	29,743	523	30,266

Newfoundland Power Inc.
Deferred Charges
For The Year Ended December 31, 2010
($000s)

		Balance January 1 2010	Additions During 2010	Reductions During 2010	Balance December 31 2010
1	Deferred Pension Costs[1]	103,723	4,999	6,173	102,549
2					
3	Capital Stock Issue Expenses	38	-	38	-
4					
5	Deferred Credit Facility Issue Costs	-	300	42	258
6					
7	Deferred Charges Included in Rate Base	103,761	5,299	6,253	102,807
8					
9					
10					
11					

12 [1] The December 31, 2010 balance includes $4.8 million in pension costs associated with the 2005 Early Retirement Program. These
13 pension costs were originally $11.3 million and are being amortized over ten years, beginning April 1, 2005.

Newfoundland Power Inc.
Regulatory Deferrals
For The Year Ended December 31, 2010
($000s)

	Balance January 1 2010	Additions During 2010	Reductions During 2010	Balance December 31 2010
Cost Recovery Deferrals				
Deferred Energy Replacement Costs[1]	383	-	383	-
Cost Recovery Deferral - Depreciation[1]	3,862	-	3,862	-
Deferred Hearing Costs - 2008 GRA[1]	201	-	201	-
Deferred Hearing Costs - 2010 GRA[2]	-	760	253	507
Deferred Conservation Costs[3]	948	-	266	682
Revenue Deferrals[1]				
Municipal Tax Liability	1,363	-	1,363	-
Unrecognized 2005 Unbilled Revenue	4,618	-	4,618	-

[1] In Order No. P.U. 32 (2007), the Board approved a 3-year amortization of these cost recovery and revenue deferrals.

[2] In Order No. P.U. 43 (2009), the Board approved a 3-year amortization of this cost recovery.

[3] In Order No. P.U. 43 (2009), the Board approved the 4-year amortization of certain costs related to the implementation of the conservation plan in 2009.

Newfoundland Power Inc.
Other Rate Base Assets and Liabilities
For The Year Ended December 31, 2010
($000s)

		Balance January 1 2010	Change During 2010	Balance December 31 2010
1	**Assets**			
2	Customer Finance Programs[1]	1,679	(32)	1,647
3				
4	**Liabilities**			
5	Accrued Pension Obligation[2]	3,379	169	3,548
6				
7	Customer Security Deposits[3]	581	124	705
8				
9				
10				

11 [1] Comprised of loans provided to customers related to customer conservation programs and contributions in aid of construction.

12

13 [2] Executive and Senior Management supplemental pension benefits comprised of a defined benefit plan (PUP) and a defined contribution
14 plan (SERP). The PUP was closed to new entrants in 1999.

15

16 [3] Security deposits received from customers for electrical service in accordance with the Board-approved Schedule of Rates, Rules and Regulations.

Newfoundland Power Inc.
Materials and Supplies Allowance
For The Years Ended December 31
($000s)

		2010[1]	2009[1]
1	Opening - January 1	5,197	5,391
2	January	5,246	5,224
3	February	5,360	5,701
4	March	5,400	5,662
5	April	5,605	5,825
6	May	5,568	5,352
7	June	6,061	5,526
8	July	5,601	5,332
9	August	5,728	5,444
10	September	5,546	5,337
11	October	5,788	5,197
12	November	6,002	5,231
13	December	5,811	5,197
14	Total	72,913	70,419
15			
16	Average	5,609	5,417
17			
18	Less: Expansion (20.2% and 19.4%)[2]	1,133	1,051
19			
20	Materials and Supplies Allowance	4,476	4,366
21			
22			

[1] The 2009 and 2010 materials and supplies allowance calculation reflects a 13-month average as approved by the Board in Order No. P.U. 32 (2007).

[2] The expansion factor of 20.2% is based on the 2010 cash working capital study approved by the Board in Order No. P.U. 43 (2009). The expansion factor of 19.4% is based on the 2008 cash working capital study approved by the Board in Order No. P.U. 32 (2007).

Newfoundland Power Inc.
Cash Working Capital Allowance[1]
For The Years Ended December 31
($000s)

		2010	2009
1	Gross Operating Costs[2]	415,097	395,731
2	Current Income Taxes - Return 22	17,773	15,590
3	Municipal Taxes Paid	13,421	12,942
4	Non-regulated Expenses (net of income taxes)	(979)	(1,203)
5			
6	Total operating expenses	445,312	423,060
7			
8	Cash Working Capital Factor	2.0%	2.1%
9		8,906	8,884
10			
11	HST Adjustment	386	1,015
12			
13	Cash Working Capital Allowance	9,292	9,899
14			
15			
16			

17 [1] The cash working capital allowance for 2010 is calculated based on the method used to
18 calculate the 2010 Test Year average rate base approved by the Board in Order No. P.U. 46 (2009).
19
20 [2] In accordance with the methodology approved in Order No. P.U. 43 (2009), gross operating costs
21 for 2010 used in the calculation of the 2010 cash working capital allowance are net of non-cash
22 related amortizations.

Newfoundland Power Inc.
Return on Average Rate Base[1]
For The Years Ended December 31
($000s)

		2010	2009
1	Net Earnings from Return 1	35,573	33,201
2	Add: Non-regulated (net of income taxes)	979	1,203
3		36,552	34,404
4			
5	Finance Costs		
6	Interest on Long-term Debt	35,850	34,547
7	Other Interest	329	402
8	Amortization of Debt Issue Expenses	232	235
9	AFUDC	(820)	(675)
10		35,591	34,509
11			
12	Regulated Earnings	72,143	68,913
13			
14	Average Rate Base from Return 3	875,210	848,493
15			
16	Rate of Return on Average Rate Base	8.24%	8.12%
17			
18			
19	Average Rate Base from Return 3	875,210	848,493
20			
21	Upper Limit of the Allowed Range of Return on Average Rate Base[2]	8.41%	8.55%
22			
23	Upper Limit of Allowed Regulated Earnings	73,605	72,546
24			
25	Regulated Earnings	72,143	68,913
26			
27	Excess Revenue net of Income Taxes	-	-
28			
29	Income Taxes	-	-
30			
31	Excess Revenue	-	-
32			
33			

34 [1] The return on average rate base is calculated in accordance with the methodology approved in Order No. P.U 32 (2007).

35

36 [2] Based on a return on rate base of 8.23% plus 18 basis points, as approved in Order No. P.U. 46 (2009) for 2010 and a
37 return on rate base of 8.37% plus 18 basis points, as approved in Order No. P.U. 35 (2008) for 2009.

Newfoundland Power Inc.
Details of Normalized Sales and Revenue
For The Years Ended December 31
($000s)

			2010			2009		
			Gigawatt Hours	Year End Customer Accounts	Revenue	Gigawatt Hours	Year End Customer Accounts	Revenue
1	**Revenue From Rates**							
2	Domestic	1.1	3,311.2	211,091	332,664	3,203.3	207,335	309,360
3								
4	General Service:							
5	0 - 10 kW	2.1	92.5	12,116	12,331	89.8	12,036	11,840
6	10 - 100 kW	2.2	649.3	8,909	65,291	640.9	8,770	63,318
7	110 - 1000 kVA	2.3	910.6	1,101	77,976	890.5	1,088	74,182
8	1000 kVA and Over	2.4	419.2	59	31,037	438.0	68	31,675
9	Total General Service		2,071.6	22,185	186,635	2,059.2	21,962	181,015
10								
11	Street & Area Lighting	4.1	36.2	10,150	13,540	36.5	10,010	12,862
12	Forfeited Discounts		-	-	2,494	-	-	2,644
13								
14	Revenue From Rates		5,419.0	243,426	535,333	5,299.0	239,307	505,881
15								
16	**Adjustments and Transfers**							
17	Transfer From (To) RSA				2,213 [1]			2,878
18	2010 Pension Expense Variance Deferral				(640)			
19	2005 Unbilled Revenue Accrual				4,618 [2]			4,618
20	Total Adjustments and Transfers				6,191			7,496
21								
22	**Other Revenue**							
23	Joint Use Revenue				9,360			9,219
24	Wheeling Revenue				591			566
25	Amortization of Municipal Tax Liability				1,363 [3]			1,364
26	Interest on Overdue Customer Accounts				801			818
27	Other Non-Electrical Revenue				1,311			1,835
28	Total Other Revenue				13,426			13,802
29								
30	**Total Revenue - Return 1**				**554,950**			**527,179**
31								
32								
33								

34 [1] The transfer from the RSA is related to the operation of the Energy Supply Cost Variance Adjustment.

35

36 [2] In Order No. P.U. 32 (2007), the Board approved a 3-year amortization of the 2005 Unbilled Revenue remaining balance beginning in 2008.

37

38 [3] In Order No. P.U. 32 (2007), the Board approved a 3-year amortization of the municipal tax liability beginning in 2008.

Newfoundland Power Inc.
Normalized Production and Sales Statistics
For The Years Ended December 31
($000s)

		2010	2009
1	Gigawatt Hours - Purchased	5,308.3	5,187.9
2			
3	Gigawatt Hours - Produced	424.6	425.9
4			
5			
6	Total Purchased & Produced	5,732.9	5,613.8
7			
8			
9	Gigawatt Hours - Sold & Used	5,430.2	5,310.6
10			
11			
12	Gigawatt Hours - Losses	302.7	303.2
13			
14	Losses Expressed as a Percentage of		
15	Total Purchased & Produced	5.3%	5.4%
16			
17	Purchased Power Annual Billing Demand in kW	1,119,636	1,119,136

Newfoundland Power Inc.
Rate Stabilization Account
For The Year Ended December 31, 2010
($000s)

	Month	Opening Balance	Adjustments	RSA Billed During Month	Municipal Taxes	Excess Fuel Costs	Secondary Energy Costs	Interest Costs	Transfer To (From) Nfld. Hydro	Closing Balance
1	January	1,418.3	-	(409.3)	-	3.7	-	9.7	265.6	1,288.0
2										
3	February	1,288.0	-	(376.7)	-	1.7	-	8.8	234.2	1,156.0
4										
5	March	1,156.0	(639.2) [1]	(364.2)	-	364.8 [2]	-	7.9	235.5	760.8
6										
7	April	760.8	-	(329.0)	-	24.7	-	5.2	187.9	649.6
8										
9	May	649.6	-	(281.4)	-	7.3	-	4.4	174.5	554.4
10										
11	June	554.4	-	(255.6)	-	7.2	-	3.8	137.4	447.2
12										
13	July	447.2	-	(453.8)	-	31.0	-	3.1	628.8	656.3
14										
15	August	656.3	-	(673.7)	-	0.6	-	4.5	636.9	624.6
16										
17	September	624.6	-	(651.6)	-	9.1	-	4.3	652.9	639.3
18										
19	October	639.3	-	(786.2)	-	7.5	-	4.4	809.7	674.7
20										
21	November	674.7	-	(973.2)	-	4.8	-	4.6	1,022.5	733.4
22										
23	December	733.4	2,213.1 [3]	(1,117.0)	633.3 [4]	18.0	130.5	5.0	1,106.8	3,723.1
24										
25			1,573.9	(6,671.7)	633.3	480.4	130.5	65.7	6,092.7	
26										
27										
28										

29 [1] This is the disposition of the difference in forecasted vs. test year defined benefit pension plan expense for 2010, approved in Order No. P.U. 43 (2009).

30

31 [2] Increased generation required from Greenhill and Mobile gas turbines because of transmission line problems encountered as a result of the March Ice Storm.

32

33 [3] This is the Energy Supply Cost Variance for 2010, as approved in Order No. P.U. 32 (2007).

34

35 [4] This is the difference between total municipal taxes collected from customers through rates and the total taxes paid to municipalities for 2010.

Newfoundland Power Inc.
Weather Normalization Reserve
For The Year Ended December 31, 2010
($000s)

Degree Day Normalization Reserve Transfer		
Revenue Adjustment		
Heating Degree Days		19,564
Cooling Degree Days		-
Wind Speed Adjustments		881
Total Revenue Adjustment		20,445
Less : Power Purchased Adjustment		
Heating Degree Days		21,616
Cooling Degree Days		-
Wind Speed Adjustments		951
Total Power Purchased Adjustment		22,567
Net Adjustment (Before Tax)		(2,122)
Less: Income Tax @ 32.0%		(679)
Net Adjustment (After Tax)		(1,443)
Amortization of Weather Normalization Reserve[1]		(1,366)
Net Transfer (To) From Degree Day Normalization Reserve		(2,809)
Hydro Production Equalization Reserve Transfer		
Transfer (To) From Reserve (Before Tax)		(4,506)
Less: Income Tax @ 32.0%		(1,442)
Net Transfer (To) From Hydro Production Equalization Reserve		(3,064)
Net Transfer (To) From Weather Normalization Reserve		**(5,873)**

	Weather Normalization Account Balances		
	Balance at January 1 2010	**Net Transfers**	**Balance at December 31 2010[2]**
Degree Day Reserve	2,595	(2,809)	(214)
Hydro Equalization Reserve	1,324	(3,064)	(1,740)
	3,919	(5,873)	(1,954)

[1] This is the amortization of a non-reversing balance in the degree day normalization reserve as approved by the Board in Order No. P.U. 32 (2007).

[2] A positive balance in the weather normalization reserve reflects amounts to be recovered from customers in future periods. A negative balance in the weather normalization reserve reflects amounts owed to customers.

Newfoundland Power Inc.
Demand Management Incentive Account
For The Year Ended December 31, 2010
($000s)

Demand Management Incentive Account Transfer		
	Demand Supply Cost Variance	(1,539)
	Demand Management Incentive (+/-)[1]	545
	Supply Cost Variance Outside Deadband	(994)
	Less: Income Tax @ 32.0%	(318)
	Net Transfer (To) From Demand Management Incentive Account	**(676)**
Demand Management Incentive Account Balance		
	Balance at January 1, 2010	-
	Net Transfer (To) From Demand Management Incentive Account	(676)
	Balance at December 31, 2010[2]	(676)

[1] The demand management incentive of $545,000 is plus/minus 1% of test year wholesale demand charges. The Demand Management Incentive Account definition was approved by the Board in Order No. P.U. 32 (2007).

[2] In accordance with Order No. P.U. 32 (2007), Newfoundland Power filed a report with the Board on February 28, 2011 pertaining to the operation of the Demand Management Incentive Account for 2010.

Newfoundland Power Inc.
Purchased Power Unit Cost Variance Reserve
For The Year Ended December 31, 2010
($000s)

Purchased Power Unit Cost Variance Reserve Balance

Balance at January 1, 2010	(447)
2010 Amortization[1]	447
Balance at December 31, 2010	-

[1] In Order No. P.U. 32 (2007), the Board approved a 3-year amortization of the 2006 year end balance in the Purchased Power Unit Cost Variance Reserve of $1,342,000. The balance in the PPUCVR is fully amortized at December 31, 2010. Beginning in 2008, the PPUCVR has been replaced by the Demand Management Incentive Account.

Newfoundland Power Inc.
Statement of Operating & General Expenses
For The Years Ended December 31
($000s)

		2010	2009	Variances[1]
1	Operating Expenses			
2				
3	Purchased Power	358,443	345,656	12,787
4	Power Produced	2,675	2,527	148
5	Administrative and Engineering Support	6,046	6,120	(74)
6	Environmental Policy	315	385	(70)
7	Substations	2,340	2,300	40
8	Transmission	830	482	348
9	Distribution	8,728	7,172	1,556
10	Communications	1,508	1,381	127
11	Fleet Operating and Maintenance Expense	1,504	1,443	61
12				
13				
14		382,389	367,466	14,923
15				
16				
17	General Expenses			
18				
19	Customer Service	12,872	11,789	1,083
20	Financial Services	1,715	1,505	210
21	Information Systems	2,856	2,695	161
22	Pension Costs	7,588	2,673	4,915
23	Retirement Allowances	712	119	593
24	Corporate and Employee Services	14,612	14,589	23
25				
26				
27		40,355	33,370	6,985
28				
29				
30	Total Operating & General Expenses	422,744	400,836	21,908
31				
32	Transfers to General Expenses Capitalized	(2,429)	(1,836)	(593)
33	Amortization of Deferred CDM Costs	339	(1,356)	1,695
34				
35				
36	**Total Expenses[2]**	**420,654**	**397,644**	**23,010**
37				
38				

39 [1] Variances are explained in Return 21.

40

41 [2] This is equal to the total of purchased power costs, operating expenses and pension costs shown in Return 1.

Newfoundland Power Inc.
Explanation of Expense Variances
2010 versus 2009
($000s)

	2010	2009	Increase (Decrease)
Total Expenses	**420,654**	**397,644**	**23,010**

Total expenses for 2010 increased by $23.0 million, or 5.8 per cent over 2009. This increase was due primarily to higher purchased power costs, higher distribution costs due to restoration efforts following Hurricane Igor, an increase in conservation costs and higher pension expense.

The following is an explanation of significant variances for individual operating and general expense classes.

Purchased Power	**358,443**	**345,656**	**12,787**

Purchased Power costs were higher in 2010 as a result of electricity sales growth and higher water inflows associated with the Company's hydroelectric generating facilities.

Power Produced	**2,675**	**2,527**	**148**

Power Produced costs were higher in 2010 as a result of increased fuel costs for the Wesleyville gas turbine operations, principally during the March ice storm, and higher generation taxes paid to the provincial government, offset by reduced snowclearing costs.

Administrative and Engineering Support	**6,046**	**6,120**	**(74)**

Administrative and Engineering Support costs for 2010 were in line with costs for 2009.

Environmental Policy	**315**	**385**	**(70)**

Environmental Policy costs for 2010 were in line with costs for 2009.

Substations	**2,340**	**2,300**	**40**

Substations operating costs for 2010 were in line with costs for 2009.

Newfoundland Power Inc.
Explanation of Expense Variances
2010 versus 2009
($000s)

	2010	2009	Increase (Decrease)
Transmission	**830**	**482**	**348**

Transmission operating costs were higher in 2010 as a result of increased vegetation management costs and an increase in operating labour costs related to restoration efforts following the March ice storm and Hurricane Igor.

Distribution	**8,728**	**7,172**	**1,556**

Distribution operating costs were higher in 2010 mainly because of expenses related to the restoration effort following Hurricane Igor.

Communications	**1,508**	**1,381**	**127**

Communications operating costs were higher in 2010 as a result of an increase in usage costs for landline and wireless devices.

Fleet Operating and Maintenance Expense	**1,504**	**1,443**	**61**

Fleet Operating and Maintenance costs for 2010 were in line with costs for 2009.

Customer Service	**12,872**	**11,789**	**1,083**

Customer Service operating costs were higher in 2010 primarily as a result of higher costs related to conservation and demand management (CDM). In addition, overtime costs in 2010 were higher due to restoration efforts associated with Hurricane Igor.

Financial Services	**1,715**	**1,505**	**210**

Financial Services costs were higher in 2010 due to normal salary increases and the transfer of an employee into the Finance and Regulatory group.

Newfoundland Power Inc.
Explanation of Expense Variances
2010 versus 2009
($000s)

	2010	2009	Increase (Decrease)
Information Systems	**2,856**	**2,695**	**161**
Information Systems operating costs were higher in 2010 due to normal salary increases and the transfer of an employee from Customer Service.			
Pension Costs	**7,588**	**2,673**	**4,915**
Pension costs were higher in 2010 as a result of the amortization of 2008 experience losses associated with the pension plan assets and a lower discount rate at December 31, 2009 which was used to determine the Company's accrued benefit pension obligation associated with its defined benefit pension plan.			
Retirement Allowances	**712**	**119**	**593**
Retirement Allowance costs were higher in 2010 as a result of a higher number of severances and retirements.			
Corporate and Employee Services	**14,612**	**14,589**	**23**
Corporate and Employee Services costs were in line with 2009.			
General Expenses Capitalized	**(2,429)**	**(1,836)**	**(593)**
The increase in General Expenses Capitalized (GEC) is primarily related to higher pension costs in 2010.			
Conservation Deferral	**339**	**(1,356)**	**1,695**
The Conservation Cost Deferral Account reflects the Board's approval of the deferred recovery over 4 years of certain 2009 costs associated with the Company's energy conservation programs.			

Newfoundland Power Inc.
Calculation of Taxable Income and Income Tax Expense
For The Year Ended December 31, 2010
($000s)

1	Net Earnings from Return 1		35,573
2			
3	Add: Provision for current income tax	19,109	
4	Provision for prior years taxes	(1,336)	
5	Provision for future income taxes	1,320	
6	Provision for Conservation Cost Deferral	(73)	
7	Provision for Demand Management Incentive (DMI)	(318)	
8	Provision for Purchased Power Unit Cost Variance Reserve (PPUCVR)	241	
9	Provision for Replacement Energy Costs	(216)	
10	Provision for Weather Normalization	(2,857)	15,870
11			
12	Net Income Before Income Taxes		51,443
13			
14	Add: Amortization of capital assets net of deferred expense	43,358	
15	Amortization of debt discount & expenses	191	
16	Amortization of capital stock issue expenses	38	
17	Amortization of credit facility costs	42	
18	Business meals & related expenses	231	
19	Special pension liability	242	
20	Difference in pension funding and accounting cost	2,300	
21	Replacement Energy Cost	598	
22	Stock option expense not deductible	404	
23	Unbilled Revenue Reserve	526	
24	Small tools in excess of $500	88	
25	Deferred Depreciation Costs	3,862	
26	Deferred GRA Expenses	454	
27	Deferred Conservation Costs	339	
28	Other non deductible costs	17	52,690
29			
30			104,133
31	Less:		
32	Capital cost allowance	43,361	
33	Cumulative eligible capital	10	
34	Revenue re: Agreement With CRA	4,618	
35	General expenses capitalized	3,316	
36	Interest charged to construction	820	
37	Bond issue expenses	132	
38	Deferred credit facility costs	300	
39	Part VI.1 tax deduction	43,860	96,417
40			
41	Taxable Income		7,716
42			
43	Weather Normalization deducted as future tax		2,857
44	Provision for PPUCVR		(241)
45	Provision for DMI		318
46	Income Tax - Part 1		2,469
47	Income Tax - Part VI.1		13,706
48	Provision for prior years taxes		(1,336)
49			
50	Current Income Tax Expense		17,773
51			
52	Provision for CDM		(73)
53	Provision for PPUCVR		241
54	Provision for DMI		(318)
55	Provision for Replacement Energy Costs		(216)
56	Provision for Weather Normalization		(2,857)
57	Future income tax		1,320
58			
59	Future Income Tax Provision		(1,903)
60			
61	Total Tax Expense		15,870

Newfoundland Power Inc.
Accumulated Future Income Taxes
For The Year Ended December 31, 2010
($000s)

Plant Investments			
Balance on January 1, 2010			1,110
Add: CCA claimed on all property, plant and equipment - from Return 22[1]		44,417	
Less: Amortization expense on all property, plant and equipment (GEC excluded from post-1986 additions)		39,732	
Difference		4,685	
Future Income Tax Rate @ 29%			1,359
Balance on December 31, 2010 (if negative enter 0)			2,469
Pension and Early Retirement Costs			
Balance on January 1, 2010			1,187
Add: Pension Funding		6,498	
Less: Pension Expense (including Special Pension Costs)		6,631	
Difference		(133)	
Future Income Tax Rate @ 29%			(39)
Balance on December 31, 2010			1,148
Total Accumulated Future Income Taxes			**3,617**

[1] Equals CCA $43,361,000 (Return 22, line 32) + provision for prior year CCA, $1,056,000.

Newfoundland Power Inc.
Average Regulated Capital Structure
For The Year Ended December 31, 2010
($000s)

Average Book Capital Structure

	Year-End December 31 2010	Year-End December 31 2009	Average	Percent
Total Debt	475,482	479,250	477,366	54.41%
Preference Shares	9,111	9,111	9,111	1.04%
Common Equity	400,502	381,185	390,844	44.55%
	885,095	869,546	877,321	100.00%

Average Regulated Capital Structure[1]

	Average 2010	Percent
Total Debt	477,366	54.41%
Preference Shares	9,111	1.04%
Common Equity	390,844	44.55%
	877,321	100.00%

[1] In Order No. P.U. 19 (2003), the Board ordered that the proportion of regulated common equity in the capital structure shall not exceed 45%. In years where the average common equity percentage is below 45% of the average invested capital, the average regulated capital structure will equal the average book capital structure.

Newfoundland Power Inc.
Cost of Embedded Debt
For The Years Ended December 31
($000s)

			2010	2009
1	**Debt**			
2	Bonds		463,688	468,888
3	Credit Facilities		15,000	13,500
4			478,688	482,388
5				
6	Debt Discount and Issue Expenses		(3,206)	(3,138)
7				
8			475,482	479,250
9				
10	Average Debt	**A**	477,366	458,702
11				
12	**Interest Expense**[1]			
13	Interest on Bonds		35,850	34,547
14	Interest on Credit Facilities		316	396
15	Interest on Bank Indebtedness		13	7
16	Amortization of Debt Discount and Issue Costs		232	235
17				
18		**B**	36,411	35,185
19				
20	**Embedded Cost of Debt**	**B/A**	**7.63%**	**7.67%**
21				
22				
23				
24				

25 [1] Total financing costs for 2010 and 2009 as reported in Return 1 are as follows:

		(000s)	
27		2010	2009
28	Interest Expense (B) from above	36,411	35,185
29	Add: Amortization of Capital Stock Issue Expenses	38	38
30	Add: Interest on Security Deposits	4	7
31	Less: AFUDC	(820)	(675)
32	Interest Expense Reported in Return 1	35,633	34,555

Newfoundland Power Inc.
Explanation of Variances in Cost of Debt
For The Year Ended December 31, 2010
($000s)

	Actual 2010	Test Year 2010	Variance	
Average Debt	477,366	475,448	1,918	
Embedded Cost of Debt	7.63%	7.64%	-0.01%	
Details of the Embedded Cost of Debt				
Interest on Bonds	35,850	35,849	1	
Interest on Credit Facilities	316	270	46	[1]
Interest on Bank Indebtedness	13	-	13	
Amortization of Debt Discount and Issue Costs	232	185	47	[2]
	36,411	36,304	107	

Explanation of Variances

[1] Interest on credit facilities was higher than the 2010 Test Year due to higher than expected capital expenditures related to customer growth.

[2] The increase in debt amortization costs is due to legal/accounting costs related to the Amended Committed Credit Facility Agreement dated August 27, 2010.

Newfoundland Power Inc.
Regulated Return on Average Common Equity
For The Years Ended December 31
($000s)

		2010	2009
1	**Average Common Equity**		
2			
3	Common Equity at December 31, 2010	400,502	
4			
5	Common Equity at December 31, 2009	381,185	381,185
6			
7	Common Equity at December 31, 2008		373,738
8			
9	Average Common Equity	390,844	377,462
10			
11			
12	**Regulated Return on Average Common Equity**		
13			
14	Earnings Applicable to Common Shares - Return 1	35,005	32,628
15			
16	Add: Non-Regulated Expenses (net of income taxes)	979	1,203
17			
18		35,984	33,831
19			
20			
21	**Regulated Return on Average Common Equity**	**9.21%**	**8.96%**

Newfoundland Power Inc.
Assessable Revenue
(s. 13 of the *Public Utilities Act*)
For The Year Ended December 31, 2010
($000s)

1	Revenue From Rates from Return 14	535,333	
2			
3	Weather Normalization Revenue Adjustment from Return 17	(20,445)	
4			
5		514,888	
6			
7	Municipal Taxes Billed	12,788	
8			
9	Billing per the Rate Stabilization Account from Return 16	6,672	
10			
11	Total Electrical Revenue Billed		534,348
12			
13	Other Revenue from Return 14		13,426
14			
15	**Assessable Revenue**		**547,774**

Quarterly Regulatory Report

For The Period Ended

March 31, 2011

NEWFOUNDLAND POWER
A FORTIS COMPANY

QUARTERLY REGULATORY REPORT

FOR THE PERIOD ENDED

March 31, 2011

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1. Highlights

Highlights	1st Quarter			Annual
	Actual 2011	Plan 2011	Actual 2010	Plan 2011
Customer Satisfaction (%)	89	89	89	89
Customer Minutes of Outage [1]	13.3	11.0	49.7	36.9
Electricity Delivery [2]				
Electricity Sales (GWh)	1,833.8	1,820.3	1,795.2	5,480.0
Peak Demand (MW) [3]	1,252.5	1,283.9	1,237.6	1,283.9
Injury Frequency Rate [4]	4.9	1.7	3.3	1.7
Revenue ($millions)	183.0	181.0	178.3	560.1
Earnings ($millions) [5]	7.0	6.3	7.2	32.0

- 1st quarter customer satisfaction was consistent with plan at 89%.
- 1st quarter customer minutes of outage were higher than plan.
- 1st quarter sales were higher than plan.
- Peak demand for the 2010/2011 winter season was lower than plan.
- Four lost time and three medical aid incidents occurred in the 1st quarter.
- 1st quarter earnings were above plan.

1 In millions of minutes, excluding Hydro related interruptions.
2 Weather adjusted.
3 Peak demand for the 2010/2011 winter period occurred on February 2nd, 2011 at 5:45 p.m.
4 Injuries per 200,000 hours worked.
5 Earnings applicable to common shares.

2. Customer Service

Customer Service Performance (%)	1st Quarter			Annual
	Actual 2011	Plan 2011	Actual 2010	Plan 2011
Customer Satisfaction	89	89	89	89
First Call Resolution [1]	89	89	89	89
Service Level [2]	81	80	75	80
Trouble Call Response [3]	82	85	89	85

[1] % of customer calls resolved on first contact.
[2] % of customer calls answered within 60 seconds.
[3] % of trouble call response within two hours.

Customer Service Performance

1st quarter customer satisfaction, first-call resolution and service levels were consistent with plan. Trouble call response was slightly below plan at 82% principally as a result of a higher number of significant unplanned outages experienced during the quarter.

Customer Service Improvements

The Company continued its advertising campaign to promote customers' use of eBills. Participation in eBills has increased by 25% in the past year to over 36,500 customers.

In January, the phone technology in the Customer Contact Centre was upgraded to Voice Over Internet Protocol (VOIP) technology. This upgrade extended the life of the system and reduce monthly telephone costs for the Customer Contact Center.

During the 1st quarter, there was a 12% increase in visits to the Company's website. Customers continue to use the website to obtain information on outages, account information, billing history and energy usage. Customers also use the website to make payment arrangements and to report street light outages.

Paul Smith
Meter Reader, Stephenville

In the 1st quarter, the Company also launched a version of its web site adapted for use on mobile phones.

Energy Conservation

During the 1st quarter, an additional 946 customers participated in the takeCHARGE Energy Savers rebate programs. This represents a 9% increase from the 1st quarter of 2010. The majority of program participation continues to be from customers living on the Avalon Peninsula, with particularly high numbers in the St. John's Region.

Theresa Critch and Keith Barrett promote energy conservation to members of the Women's Institute in Harcourt.

In the 1st quarter, the takeCHARGE team completed 162 follow-up visits with rebate program participants. These visits confirm program compliance and gather valuable feedback from customers' experiences with our rebate programs.

takeCHARGE outreach events during the quarter included trade shows and community events such as the Board of Trade Business Development Summit, Hospitality Newfoundland and Labrador's 2011 Lookout! Tourism Summit in St. John's, and Winter Carnivals in Deer Lake and Pasadena. In addition, the team gave presentations to community groups such as Lions Clubs and Women's Institutes across the province. In February, takeCHARGE sponsored two Natural Resources Canada workshops for municipalities and commercial customers. The response was positive with almost 50 people in attendance.

In March, the Company together with Newfoundland and Labrador Hydro (Hydro) announced the winner of the joint takeCHARGE *of Your Town Community Challenge*. The winner was Admiral's Beach, St. Mary's Bay. Residents of Admiral's Beach reduced their energy consumption by approximately 9% compared to the same period last year, the highest percentage reduction of all 106 participating municipalities. As the winner of this energy efficiency challenge for municipalities, they received a $10,000 energy efficiency upgrade for their municipal building(s).

The Company promoted participation in the March 26th *Earth Hour* initiative through its takeCHARGE newsletter, website and advertising, as well as through partners such as Municipalities Newfoundland and Labrador. The Company turned off lights in its facilities, except where required for safety and security purposes. Provincially, there was a demand reduction of approximately 15 MW during *Earth Hour*, compared to the previous hour.

The Company is also participating in a Provincial government working group on energy conservation planning. Two ongoing projects include modeling of energy efficiency program impacts in the province, as well as a review of Canadian commercial/industrial programs which would inform local program development. Results from both projects are expected by mid-year.

3. System Performance

A. Reliability

System Reliability [1]	1st Quarter			Annual
	Actual 2011	Plan 2011	Actual 2010 [2]	Plan 2011
Customer Minutes of Outage [3]	13.3	11.0	49.7	36.9
SAIDI (Outage hours per customer)	0.94	0.78	3.59	2.60
SAIFI (Outages per customer)	0.58	0.58	0.80	1.95

[1] Excludes Hydro-related interruptions.
[2] System reliability statistics excluding storms are:
- Customer Minutes of Outage 7.0
- SAIDI 0.49
- SAIFI 0.31

[3] In millions of minutes.

The number of customer minutes of outage experienced during the quarter was higher than plan. Excluding the March 2010 ice storm, the 1st quarter 2011 results represent the highest number of customer minutes of outage since 2006. This was principally due to two substation bus lockouts in St. John's and a pole fire on the transmission line serving the Twillingate area.

Working Linecrews, St. John's

The significant unplanned outages during the 1st quarter were:

Jan 29th: A failure of a circuit protection device resulted in a bus lockout at Kenmount substation causing outages to 5,862 customers in the Kenmount Road and Cowan Heights areas of St. John's and resulted in 597,683 customer minutes of outage.

Feb 11th: A conductor fault resulted in a bus lockout at Stamps Lane substation causing outages to 9,513 customers in the central part of St. John's and resulted in 934,380 customer minutes of outage.

Feb 26th: High winds downed trees causing an outage to 1,662 customers on SPF-02 affecting customers in the Brigus and Cupids areas and resulted in 349,020 customer minutes of outage.

Mar 7th: A pole fire on 114L caused an outage to 2,236 customers in the Twillingate and Summerford areas and resulted in 637,530 customer minutes of outage.

Mar 8th: A pole fire on MOL-04 resulted in outages to 1,610 customers in the Canada Drive section of St. John's and resulted in 393,896 customer minutes of outage.

B. Electricity Supply

Electricity Supply	1st Quarter			Annual
	Actual 2011	Plan 2011	Actual 2010	Plan 2011
Energy Purchased (GWh) [1]	1,835.3	1,832.6	1,806.4	5,376.5
Peak Demand (MW) [1, 2]	1,252.5	1,283.9	1,237.6	1,283.9
Hydro Plant Production (GWh)	148.3	106.1	122.9	429.7
Plant Availability (%)	97.2	96.5	97.3	96.5

[1] Weather adjusted.

[2] Peak demand for the 2010/2011 winter period occurred on February 2rd, 2011 at 5:45 p.m.

Energy purchased during the 1st quarter was comparable to plan. Peak load management was implemented several times during the 1st quarter. Peak demand occurred on the evening of February 2nd, 2011, and was lower than plan.

During the 1st quarter, hydro plant production was 42.2 GWh higher than plan. This higher production is reflective of the higher than normal amount of water in Company reservoirs at the start of the year. Total inflows for the 1st quarter were also above normal, at 127.7 GWh compared to a normal inflow of 106.5 GWh.

Hydro plant availability was 97.2% in the 1st quarter compared to a plan of 96.5%. There were 77 forced outages in the 1st quarter of 2011 compared to 61 experienced in the 1st quarter of 2010. Approximately 30% of the forced outages in 2011 were attributable to ice buildup.

4. Financial Matters

Financial Highlights	1st Quarter			Annual
	Actual 2011	Plan 2011	Actual 2010	Plan 2011
Electricity Sales (GWh)	1,833.8	1,820.3	1,795.2	5,480.0
Revenue ($millions)	183.0	181.0	178.3	560.1
Purchased Power Costs ($millions)	134.0	134.1	131.2	364.2
Operating Costs ($millions) [1]	14.8	13.3	13.7	53.3
Operating Cost per Customer ($)	64	59	61	225
Earnings ($millions) [2]	7.0	6.3	7.2	32.0

[1] Excluding pension and early retirement program costs.
[2] Earnings applicable to common shares.

Financial Performance

1st quarter electricity sales were higher than plan and 2010. The sales growth reflects an increase in the number of customer connections and the number of electrically heated homes. Revenue for the 1st quarter of 2011 was also higher than plan, primarily as a result of higher electricity sales.

Operating costs for the 1st quarter were higher than plan mainly due to higher operating labour costs. This primarily reflects timing differences in labour expenditures related to early delivery of employee training along with increases in both distribution maintenance and personal illness costs compared to plan.

Earnings for the 1st quarter were higher than plan primarily due to increases in electricity sales and other revenue, partially offset by higher operating expenses.

Joint Use Support Structure Agreement

On January 1st, 2011, the new Joint Use Support Structure regime with Bell Aliant came into effect. On February 4th, 2011, the Company filed an application with the Public Utilities Board (PUB) for approval of the sale of 40% of the Company's joint use poles and related infrastructure to Bell Aliant at a price of approximately $45.7 million. The transaction is expected to close in 2011. Newfoundland Power continues to provide construction and maintenance services for Bell Aliant's support structures throughout 2011.

Customer Rates

Effective January 1st, 2011, customer electricity rates increased by an average of 0.8%. This reflects the net impact of the increase in revenue requirement due to adoption of accrual accounting for other post employment benefits effective January 2011, partially offset by operation of the automatic adjustment formula which reduced the Company's allowed return on rate base for 2011.

In April 2011, Hydro released an updated fuel price projection for the Holyrood generating station. The forecast oil price has increased from $84 to $103 per barrel in the past year. Electricity rates are estimated to increase by approximately 8% effective July 1, 2011 through operation of the Rate Stabilization Account, principally as a result of increasing oil prices.

Optional Seasonal Rate for Domestic Customers

On March 11th, 2011, the Company filed an application with the PUB relating to an optional seasonal rate for domestic customers effective July 1st, 2011. This optional seasonal rate charges a higher price for electricity during the months of December to April and a lower rate for May to November. The Company sought approval of (i) the optional seasonal rate, (ii) 2011 capital expenditures required to facilitate implementation of this rate, and (iii) an Optional Rates Revenue and Cost Recovery Account that provides for the deferral of revenue effects and annual costs associated with implementing optional rates. On April 13th, 2011, the PUB approved this application.

Financial Reporting Standards

Due to the continued uncertainty regarding rate-regulated accounting under International Financial Reporting Standards (IFRS), the Company is evaluating the option of adopting US GAAP, as opposed to IFRS, effective January 1st, 2012. During the first quarter, the Company substantially completed the identification of high-level differences between US GAAP and Canadian GAAP. Based on analysis completed to date, the adoption of US GAAP is expected to result in fewer significant changes in the Company's accounting policies as compared to those that may result with the adoption of IFRS.

Organizational Changes

In January 2011, the Company's operations were realigned into three regions: St. John's, Eastern and Western. A number of employees were reassigned to support this operational reorganization and the Company's continuing focus on energy conservation, materials management, workforce management and the new joint use arrangements.

5. Capital Program

Capital Expenditures	1st Quarter			Annual[1]
	Actual 2011	Plan 2011	Actual 2010	Plan 2011
Total ($000s)	13,005	12,489	15,580	74,549

[1] Annual Plan excludes the $750,000 allowance for unforeseen items. Annual Plan includes carryover of $1,430,000 for Transmission projects on the Southern Shore and $900,000 for Substation projects. The carryovers were necessary due to additional storm related work undertaken in 2010.

2011 Capital Expenditure

Planned capital expenditures for 2011 have been impacted by the two severe weather events experienced in 2010. $2.3 million in 2010 Transmission and Substations projects were carried over into 2011 as a result of engineering, technician and powerline technician resources being diverted from the capital program to respond to storm damage. Also, a supplemental capital budget application has been filed seeking PUB approval of $1.8 million in expenditure to return Port Union hydro plant to service, and make permanent repairs to the dam and penstock at Lawn. It is expected that some 2011 capital projects will be deferred to 2012 as a result of storm related damage experienced in 2010.

Power Transformer Maintenance

Customer driven work continued through the winter, and engineering proceeded on the major 2011 projects. Other capital project activity during the quarter included:

- The supply contracts for the Sandy Brook hydro plant governor and switchgear replacement are in place. Site work will commence in June.

- The supply contracts for the substation power transformers at Pulpit Rock and Kelligrews are in place. The transformers are scheduled to be delivered in July.

6. Safety

Safety Performance	1st Quarter			Annual
	Actual 2011	Plan 2011	Actual 2010	Plan 2011
Injury Frequency Rate [1]	4.9	1.7	3.3	1.7

[1] Injuries per 200,000 hours worked.

Safety Performance

There were four lost time and three medical aid injuries in the 1st quarter of 2011 compared to three lost time and two medical aid injuries for the 1st quarter of 2010. Of these employee injuries in 2011, two resulted from slips and falls, three were muscle strain injuries, one occurred when an employee fell from a ladder and the other involved a snowmobile accident. A total of 112 calendar days of work were lost due to work related injuries. The majority of these lost days are attributed to a slip and fall by a Meter Reader and the fall from a ladder by a Powerline Technician. This is a significant increase compared to the 1st quarter of 2010 when there were seven calendar days lost. There were two recordable vehicle accidents during the quarter.

OH&S Regulation

Government Services, Occupational Health and Safety Division (OHSD) completed an inspection with a Company line crew in the 1st quarter. Based on follow-up discussion with OHSD officials, a reminder regarding fall protection harness procedures was provided to crews at safety meetings. The Company is also researching the impact of contamination on flame resistant work clothing. There were no OHSD directives or investigations related to the Company or its contractors during the quarter.

Safety Management

The annual review of the Company's Health & Safety Management System was completed in the 1st quarter. The review confirmed the adequacy and effectiveness of the system. The review also established health and safety priorities for 2011 which are subject to annual audit.

Safety Recognition and Awards

During the 1st quarter a new safety recognition and awards program was implemented. This program includes monthly individual employee awards for demonstration of dedication and leadership in the area of health and safety. In the 1st quarter, Brian Hancock, Jim Emberley and Calvin Gosse were recognized as "Safety Leaders Among Us". An annual department safety leader will also be recognized, as will particular safety milestones.

Safety Recognition Certificate

Training

During the 1st quarter, the Company completed 70% of its planned safety training for the year. Training courses were developed and delivered for the Grounding and Bonding Code and Worker Protection Code. An Industrial Ergonomics course was delivered to employees, aimed at preventing musculoskeletal injuries. Compliance training delivered in the quarter included first aid, CPR, fall protection and confined space entry.

Public Safety

During the 1st quarter there were six public incidents, of which five involved direct contact with energized lines. Four of these incidents involved construction equipment making contact with aerial or underground distribution lines. One incident involved a customer felling a tree. None of these incidents involved an injury to the public. The final incident involved a customer slipping and falling while entering one of our area offices.

Public safety education efforts were active during the 1st quarter. Approximately 1,500 students representing 27 elementary schools throughout the province received presentations on electrical safety. 43 volunteer fire fighters attended the Company's Fire Fighting and Electricity seminars. Public safety advertising continued throughout the 1st quarter.

7. Environment

Environment Performance	1st Quarter			Annual
	Actual 2011	Plan 2011	Actual 2010	Plan 2011
Number of Spills	7	16	22	65
Reportable PCB Spills [1]	1	0	0	2
Volume of Oil Spills (Litres)	367	180	217	725

[1] PCB spills must be reported if any of the following conditions exist:
- All oil spills in water regardless of PCB concentration or volume.
- All PCB spills that exceed the one gram rule.
- All oil spills of equipment in storage / inventory (not in use) that exceed a concentration of 2 ppm PCBs regardless of quantity.

Environmental Performance

The number of oil spills in the 1st quarter has decreased compared to the same period in 2010. However, the volume of spills is significantly higher, with three spills accounting for 360 litres. Of these, one spill of 210 litres was the result of a third party incident which caused a pole to break and three transformers to fall to the ground. One reportable PCB spill occurred as a result of a distribution transformer which rusted, spilling 82 litres of mineral oil containing less than 50 ppm PCB. This spill was reportable as it had the potential to exceed the one gram rule.

PCB Regulations

The Canadian Electricity Association (CEA), on behalf of all CEA utility members, continues to seek an amendment to the current *PCB Regulations* which would allow the use of smaller equipment such as bushings and instrument transformers containing PCBs above regulatory limits until 2025. In January, Environment Canada indicated it is considering whether to proceed with the CEA recommended amendment, or to amend the regulations to allow utilities to apply for further end-of-use extensions beyond 2014.

Sustainable Electricity

On March 24th, the Company submitted its Sustainable Electricity Program ("SEP") report to the CEA. The SEP program takes a holistic approach to sustainability by addressing three main components – environment, society and economics. The CEA's consolidated 2010 SEP report is scheduled to be released in June.

Newfoundland Power will co-host the SEP spring meeting with Hydro in early June 2011. Representatives from CEA members across the country will be in attendance.

ISO 14001

In the 1st quarter, environmental training was provided to seven employees and 34 contractor employees performing work on behalf of the Company. This training reinforced the importance for employees and contractors of performing their duties in an environmentally responsible manner.

The annual Environmental Aspect Review and the Environment Management Review took place in January. The Environment Management Review confirmed that the Company's Environmental Management System continues to be suitable, adequate and effective.

8. Community

The Power of Life Project

The Clarenville Area employees' 7th Annual Snowmobile Run, held Saturday, March 5th, raised over $10,000. Since its inception, the event has raised approximately $45,000. The proceeds from the event were equally shared between *The Power of Life Project* and the Triple Bay Eagles Ground Search and Rescue Team.

Clarenville Employees Snowmobile Run

Corner Brook Employees Snowmobile Run

Employees in Grand Falls-Windsor and Corner Brook each held their 1st Annual Family Snowmobile Run events in March. These events raised approximately $7,800 that was donated to *The Power of Life Project* and The Stephan Hopkins Foundation.

FINANCIAL STATEMENTS

NEWFOUNDLAND POWER INC.
BALANCE SHEETS
As At March 31
($000s)

	2011	2010 [1]
Capital Assets		
Property plant and equipment	1,225,517	1,245,140
Less: accumulated amortization	444,828	451,608
	780,689	793,532
Current Assets		
Cash	2,598	2,668
Accounts receivable	87,198	80,862
Income tax receivable	-	2,955
Materials and supplies	1,098	980
Prepaid expenses	1,358	999
Regulatory assets	13,209	8,216
	105,461	96,680
Accrued Pension	97,968	98,951
Regulatory Assets	177,689	181,530
Assets Held for Sale	44,698	-
Intangible Assets, net of amortization	15,121	15,816
Other Assets	1,568	1,656
Total Assets	**1,223,194**	**1,188,165**
Shareholders' Equity		
Common shares	70,321	70,321
Retained earnings	332,104	314,133
Common shareholder's equity	402,425	384,454
Preference shares	9,111	9,111
	411,536	393,565
Current Liabilities		
Short-term borrowings	525	-
Accounts payable and accrued charges	73,822	68,511
Income tax payable	5,137	-
Current instalments of long-term debt	5,200	5,200
Future income taxes	2,408	1,184
Regulatory liabilities	2,312	5,004
	89,404	79,899
Future Income Taxes	120,887	128,217
Long-term Debt	483,355	485,598
Other Post Employment Benefits	53,457	48,126
Other Liabilities	4,180	3,868
Regulatory Liabilities	60,375	48,892
Total Shareholders' Equity and Liabilities	**1,223,194**	**1,188,165**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS
For The Periods Ended March 31
($000s)

	FIRST QUARTER			ANNUAL	
	Actual 2011	Plan 2011	Actual 2010 [1]	Plan 2011	Actual 2010
Revenue	182,966	180,994	178,274	560,104	554,950
Purchased Power	134,027	134,073	131,188	364,181	358,443
Contribution	48,939	46,921	47,086	195,923	196,507
Operating Expenses	14,782	13,930	13,724	53,291	54,623
Pension and Early Retirement Program Costs	5,124	4,583	2,040	18,407	7,588
Amortization	10,227	10,325	10,396	42,963	43,358
Cost Recovery Deferral	(591)	(600)	-	(2,400)	-
Amortization True-Up Deferral	-	-	965	-	3,862
Finance Charges	9,024	9,171	8,992	35,705	35,633
Earnings Before Income Taxes	10,373	9,512	10,969	47,957	51,443
Income Taxes	3,251	3,057	3,634	15,413	15,870
Net Earnings	7,122	6,455	7,335	32,544	35,573
Dividends on Preference Shares	142	142	142	568	568
Earnings Applicable to Common Shares	**6,980**	**6,313**	**7,193**	**31,976**	**35,005**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF RETAINED EARNINGS
For The Periods Ended March 31
($000s)

	2011	2010
Balance, Beginning of the Period	330,181	310,864
Net Earnings	7,122	7,335
Dividends		
Preference Shares	(142)	(142)
Common Shares	(5,057)	(3,924)
Balance, End of the Period	**332,104**	**314,133**

NEWFOUNDLAND POWER INC.
STATEMENTS OF CASHFLOWS
For The Periods Ended March 31
($000s)

	2011	2010 [1]
Operating Activities		
Net earnings	7,122	7,335
Items not affecting cash:		
Amortization of property, plant and equipment	9,621	9,687
Amortization of intangible assets and other	679	767
Change in regulatory assets amd liabilities	2,152	2,429
Future income taxes	(1,409)	(966)
Employee future benefits	735	(1,189)
Change in non-cash working capital	(15,293)	(11,955)
	3,607	6,108
Investing Activities		
Capital expenditures (net of salvage)	(13,241)	(16,307)
Intangible asset expenditures	(417)	(412)
Contributions from customers	185	538
Other	(44)	(1)
	(13,517)	(16,182)
Financing Activities		
Change in short-term borrowings	525	-
Net proceeds from committed credit facility	13,000	11,500
Dividends		
Preference shares	(142)	(142)
Common shares	(5,057)	(3,924)
	8,326	7,434
Decrease in Cash	(1,584)	(2,640)
Cash, Beginning of the Period	4,182	5,308
Cash, End of the Period	**2,598**	**2,668**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

APPENDICES

NEWFOUNDLAND POWER INC.
ELECTRICITY STATISTICS
For The Periods Ended March 31

	FIRST QUARTER		ANNUAL
	2011	**2010**	**2010**
Sales (GWh)			
Actual	1,769.2	1,684.5	5,176.6
Weather adjusted	1,833.8	1,795.2	5,419.0
Plan[1]	1,820.3		
Produced & Purchased (GWh)			
Actual	1,884.6	1,795.2	5,476.6
Weather adjusted	1,952.8	1,912.2	5,732.9
Plan[1]	1,938.7		
Hydro Production (GWh)			
Actual	148.3	122.9	462.2

[1] Based on Customer, Energy and Demand Forecast dated March 5, 2010.

NEWFOUNDLAND POWER INC.
STATEMENTS OF ELECTRICITY SOLD (GWh)
For The Periods Ended March 31

WEATHER ADJUSTED

	FIRST QUARTER			ANNUAL	
BY SALES CATEGORY	**Actual 2011**	**Plan[1] 2011**	**Actual 2010**	**Plan[1] 2011**	**Actual 2010**
Residential	1,202.7	1,189.3	1,170.2	3,343.7	3,311.2
Commercial					
0-10 kW	29.1	28.5	28.8	90.7	92.5
10-100 kW	210.2	207.8	205.8	654.7	649.3
110-1000 kVA	276.6	276.1	271.6	923.7	910.6
1000 kVA and Over	105.2	108.7	108.5	431.5	419.2
Total Commercial	621.1	621.1	614.7	2,100.6	2,071.6
Street Lighting	10.0	9.9	10.3	35.7	36.2
Total Sales	**1,833.8**	**1,820.3**	**1,795.2**	**5,480.0**	**5,419.0**
BY REGION					
St. John's	908.9	905.4	889.3	2,698.2	2,670.3
Eastern [2]	385.9	383.9	378.2	1,161.4	1,146.8
Western [3]	539.0	531.0	527.7	1,620.4	1,601.9
Total Sales	**1,833.8**	**1,820.3**	**1,795.2**	**5,480.0**	**5,419.0**

[1] Based on Customer, Energy and Demand Forecast dated March 5, 2010.

[2] Eastern Region includes the Avalon, Burin and Clarenville operating areas.

[3] Western Region includes the Gander, Grand Falls - Windsor, Corner Brook and Stephenville operating areas.

NEWFOUNDLAND POWER INC.
STATEMENTS OF REVENUE
For The Periods Ended March 31
($000s)

WEATHER ADJUSTED

BY SALES CATEGORY	FIRST QUARTER Actual 2011	FIRST QUARTER Plan [1] 2011	FIRST QUARTER Actual 2010	ANNUAL Plan [1] 2011	ANNUAL Actual 2010
Residential	117,834	116,327	113,714	338,853	332,664
Commercial					
0-10 kW	3,753	3,684	3,688	12,229	12,331
10-100 kW	20,518	20,582	20,215	66,611	65,291
110-1000 kVA	23,539	23,619	23,168	79,462	77,976
1000 kVA and Over	7,952	8,276	8,200	32,233	31,037
Total Commercial	55,762	56,161	55,271	190,535	186,635
Street Lighting	3,403	3,418	3,371	13,702	13,540
Forfeited Discounts	888	938	866	2,744	2,494
Revenue From Rates	**177,887**	**176,844**	**173,222**	**545,834**	**535,333**
Energy Supply Cost Variance [2]	1,755	1,666	834	4,354	2,213
Amortizations [3]					
2010 Pension Expense Variance Deferral	723	291	(160)	1,161	(640)
OPEBs Deferral	48	-	-	-	-
2005 Unbilled Remaining Balance	-	-	1,155	-	4,618
Total Reported Revenue	**180,413**	**178,801**	**175,051**	**551,349**	**541,524**
Other Revenue	2,553	2,193	3,223	8,755	13,426
Total Operating Revenue	**182,966**	**180,994**	**178,274**	**560,104**	**554,950**

(1) Based on March 2010 sales forecast and rates effective January 1, 2011 as approved by Order No. P.U. 36(2010).
(2) Energy Supply Cost Variance as approved in Order No. P.U. 32(2007) and as approved for continued use in Order No. P.U. 43(2009).
(3) Revenue amortizations as approved in Order No. P.U. 32(2007), Order No. P.U. 43(2009) and Order No. P.U. 36(2010).

NEWFOUNDLAND POWER INC.
SUMMARY OF WEATHER ADJUSTMENTS
For The Periods Ended March 31
($000s)

	FIRST QUARTER			ANNUAL	
REVENUE FROM ELECTRICITY SALES	**Actual 2011**	**Plan [1] 2011**	**Actual 2010**	**Plan [1] 2011**	**Actual 2010**
Actual	172,436	176,844	163,908	545,834	514,888
Degree Day & Wind Adjustment	5,451	-	9,314	-	20,445
Weather Adjusted	**177,887**	**176,844**	**173,222**	**545,834**	**535,333**
Energy Supply Cost Variance [2]	1,755	1,666	834	4,354	2,213
Amortizations [3]					
2010 Pension Expense Variance Deferral	723	291	(160)	1,161	(640)
OPEBs Deferral	48	-	-	-	-
2005 Unbilled Remaining Balance	-	-	1,155	-	4,618
Total Reported Revenue	**180,413**	**178,801**	**175,051**	**551,349**	**541,524**
PURCHASED POWER EXPENSE					
Actual	124,778	133,548	118,880	362,080	328,363
Degree Day & Wind Adjustment	6,010	-	10,303	-	22,568
Hydro Equalization Adjustment	2,714	-	1,504	-	4,506
Purchased Power Weather Adjusted	**133,502**	**133,548**	**130,687**	**362,080**	**355,437**
Demand Management Incentive Account [4]	**-**	**-**	**-**	**-**	**994**
Amortizations [5]					
Rattling Brook Deferral	-	-	150	-	598
PPUCVR Balance at Dec 31, 2006	-	-	(174)	-	(688)
Weather Normalization Reserve	525	525	525	2,101	2,102
Total Purchased Power Expense	**134,027**	**134,073**	**131,188**	**364,181**	**358,443**

(1) Based on March 2010 sales forecast and rates effective January 1, 2011 as approved by Order No. P.U. 36(2010).
(2) Energy Supply Cost Variance as approved in Order No. P.U. 32(2007) and as approved for continued use in Order No. P.U. 43(2009).
(3) Revenue amortizations as approved in Order No. P.U. 32(2007), Order No. P.U. 43(2009) and Order No. P.U. 36(2010).
(4) Demand Management Incentive Account as approved in Order No. P.U. 32(2007) and as approved for continued use in Order No. P.U. 43(2009).
(5) Amortizations for 2009 & 2010 as appproved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS - DETAIL
For The Periods Ended March 31
($000s)

	FIRST QUARTER			ANNUAL	
	Actual 2011	Plan 2011	Actual 2010	Plan 2011	Actual 2010
Other Revenue					
Joint Use Revenue					
Aliant	-	-	1,805	-	7,336
CATV	233	228	507	912	2,024
Total Joint Use Revenue	233	228	2,312	912	9,360
Miscellaneous					
Aliant Pole Sale	1,550	1,091	-	4,362	-
Customer Jobbing	127	129	82	720	492
Rental Income	7	6	-	25	10
Municipal Tax Liability	-	-	341	-	1,363
Interest - Customer Accounts	268	325	230	1,061	801
Interest - RSA	73	54	26	212	66
Interest - CIAC	24	32	26	125	100
Interest - Other	24	31	27	125	100
Reconnections	12	12	8	87	124
NSF Cheque Charges	8	12	9	40	32
Wheeling Charges	157	150	160	541	591
Miscellaneous	18	74	(50)	290	132
Service Connection Fees	52	49	52	255	255
Total Miscellaneous	2,320	1,965	911	7,843	4,066
Total Other Revenue	**2,553**	**2,193**	**3,223**	**8,755**	**13,426**
Finance Charges					
Interest on Long-term Debt	8,886	8,886	8,988	35,444	35,850
Interest on Long-term Committed Credit Facility	166	272	51	593	316
Interest on Short-term Uncommitted Demand Facility	-	-	-	-	13
Amortization of Deferred Debt Issue Costs	48	72	48	290	232
Amortization of Capital Stock Issue Expenses	-	-	9	-	38
Interest on Security Deposits	2	-	1	-	5
Credit Facility Costs	25	-	-	-	-
Interest Charged to Construction	(103)	(59)	(105)	(622)	(821)
Total Finance Charges	**9,024**	**9,171**	**8,992**	**35,705**	**35,633**

NEWFOUNDLAND POWER INC.
CUSTOMER AND EMPLOYEE STATISTICS
As At March 31

	FIRST QUARTER		ANNUAL	
	Actual 2011	**Actual 2010**	**Plan 2011**	**Actual 2010**
Customers	244,452	240,377	245,759	243,426
Employees [1]				
Regular	559	569	589	572
Temporary	56	55	58	69
Total	615	624	647	641

[1] Refers to full time equivalents.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY AREA
For The Periods Ended March 31

	SAIFI					SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR	QUARTER		12 MONTH TO DATE		5 YEAR
AREA	2011 #	2010 #	2011 #	2010 #	TO DATE # / YEAR	2011 HOURS	2010 HOURS	2011 HOURS	2010 HOURS	TO DATE HRS. / YEAR
St. John's	0.66	0.35	2.86	1.79	2.38	0.97	0.40	12.53	1.69	4.59
Avalon	0.51	0.78	1.65	2.06	1.83	0.76	6.26	6.41	7.71	2.59
Burin	1.04	0.92	3.39	3.89	3.28	0.81	1.23	4.92	3.73	3.56
Bonavista	0.28	3.77	3.88	5.52	4.31	0.62	30.86	31.06	33.00	17.39
Gander	1.59	1.05	3.31	3.95	4.17	3.02	2.09	14.33	5.28	8.39
Grand Falls	0.36	0.59	4.40	2.63	3.06	0.67	0.96	4.35	4.26	3.21
Corner Brook	0.45	0.87	2.01	2.50	2.49	0.32	0.65	3.58	2.21	2.74
Stephenville	0.24	0.84	3.69	2.47	3.09	0.41	1.23	8.80	2.93	3.60
Company Totals	**0.64**	**0.83**	**2.51**	**2.54**	**2.66**	**0.95**	**3.59**	**13.70**	**5.40**	**5.62**

System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage hours) by the total number of customers in an area.

SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended March 31

ORIGIN	SAIFI QUARTER 2011 #	SAIFI QUARTER 2010 #	SAIFI 12 MONTH TO DATE 2011 #	SAIFI 12 MONTH TO DATE 2010 #	SAIFI 5 YEAR TO DATE # / YEAR
Loss of Supply (NF Hydro)	0.05	0.02	0.24	0.37	0.43
Transmission	0.15	0.36	0.85	0.88	0.78
Distribution	0.44	0.45	1.42	1.29	1.45
Company Totals	**0.64**	**0.83**	**2.51**	**2.54**	**2.66**

System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended March 31

ORIGIN	SAIDI QUARTER 2011 HOURS	SAIDI QUARTER 2010 HOURS	SAIDI 12 MONTH TO DATE 2011 HOURS	SAIDI 12 MONTH TO DATE 2010 HOURS	SAIDI 5 YEAR TO DATE HRS. / YEAR
Loss of Supply (NF Hydro)	0.01	0.01	0.35	0.08	0.20
Transmission	0.23	1.80	4.66	2.10	1.41
Distribution	0.71	1.78	8.69	3.22	4.01
Company Totals	**0.95**	**3.59**	**13.70**	**5.40**	**5.62**

System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BREAKDOWN REPORT
First Quarter 2011

AREA	SCHEDULED		UNSCHEDULED		TOTAL	
	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS
St. John's	0.05	0.02	0.61	0.95	0.66	0.97
Avalon	0.15	0.13	0.36	0.63	0.51	0.76
Burin	0.95	0.62	0.09	0.19	1.04	0.81
Bonavista	0.04	0.09	0.24	0.53	0.28	0.62
Gander	0.70	1.49	0.89	1.53	1.59	3.02
Grand Falls	0.15	0.11	0.21	0.56	0.36	0.67
Corner Brook	0.11	0.04	0.34	0.28	0.45	0.32
Stephenville	0.09	0.02	0.15	0.39	0.24	0.41
Company Totals	**0.18**	**0.21**	**0.46**	**0.74**	**0.64**	**0.95**

System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.

CAPITAL EXPENDITURE PROGRESS REPORT

For the Period Ended March 31, 2011

Introduction

The Capital Expenditure Progress Report summarizes the capital expenditures of the various capital accounts of the Company and lists any new lease obligations in excess of $5,000 per year.

The report is divided into three sections as follows:

1. The Budget section outlines the annual capital expenditure budget approved by the Public Utilities Board for the current year.

2. The Expenditure section outlines actual capital expenditures for the current quarter and indicates the portion of the annual capital budget remaining to be expended (difference between annual budget and current quarter actual).

3. The Leasing Arrangement section includes a brief description of the item being leased, the leasing period, and the annual and quarterly leasing costs.

NEWFOUNDLAND POWER INC.
CAPITAL EXPENDITURE PROGRESS REPORT
For the Period Ended March 31, 2011
($000s)

	BUDGET	EXPENDITURE [1]	
	Approved by Order No. P.U. 28(2010)	First Quarter	Unexpended Balance
Generation Hydro	7,696	343	7,353
Generation Thermal	268	12	256
Substations	11,647	2,013	9,634
Transmission	4,745	178	4,567
Distribution	36,842	7,612	29,230
General Property	1,792	138	1,654
Transportation	2,254	584	1,670
Telecommunications	572	4	568
Information Systems	3,603	690	2,913
Unforeseen Items	750	-	750
General Expenses Capital	2,800	1,053	1,747
TOTAL	72,969	12,627	60,342

Leasing Arrangements Entered Into			
Brief description	Period	Annual Cost	Quarterly payments
	There were no lease obligations in excess of $5,000 annually entered into during the first quarter of 2011.		

[1] Excludes capital expenditures of approximately $378,000 related to prior years capital projects carried forward into 2011.

NEWFOUNDLAND POWER INC.

INTER-COMPANY TRANSACTIONS REPORT

For the Period Ended March 31, 2011

Introduction

The Inter-Company Transactions Report summarizes transactions between the Company and related corporations on a quarterly and year-to-date basis. The report itemizes the charges by type and distinguishes between regulated and non-regulated charges. The report also documents any contracts, agreements or loans between Newfoundland Power and any related corporation that were signed in the current quarter.

The report is divided into four sections as follows:

1. The first section aggregates charges from all related corporations and presents a summary, by charge type, for the current quarter and the same period last year, as well as comparable annual charges for the previous year.

2. The second section breaks down the charges ***from*** each individual related corporation and presents an itemized quarterly summary for the current year and the same period last year, as well as comparable annual charges for the previous year.

3. The third section breaks down the charges ***to*** each individual related corporation and presents an itemized quarterly summary for the current year and the same period last year, as well as comparable annual charges for the previous year.

4. The fourth section lists any contracts or agreements that were signed between the Company and any related corporation as well as any loans with related corporations. Loan information provided includes the amount of the loan, the date of borrowing and date of repayment, the interest rate, and total interest paid.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Summary of Charges
For The Period Ended March 31, 2011

Charges from Associated Companies

Regulated Charges	First Quarter 2011	First Quarter 2010	Annual 2010
Trustee & Share Plan Costs	$ 11,000	$ 12,000	$ 45,000
Hotel/Banquet Facilities	5,078	7,310	67,196
Staff Charges	-	-	151,132
Joint-use Pole Purchases	936	1,173	13,512
Miscellaneous	12,027	15,304	41,504
Sub-total	$ 29,041	$ 35,787	$ 318,344

Non-Regulated Charges	First Quarter 2011	First Quarter 2010	Annual 2010
Directors' Fees & Travel	$ 52,000	$ 57,000	$ 263,000
Annual & Quarterly Reports	24,000	30,000	89,000
Hotel/Banquet Facilities	-	-	2,416
Staff Charges	137,000	65,000	352,000
Miscellaneous	445,265	85,000	697,877
Sub-total	$ 658,265	$ 237,000	$ 1,404,293
TOTAL	$ 687,306	$ 272,787	$ 1,722,637

Charges to Associated Companies

	First Quarter 2011	First Quarter 2010	Annual 2010
Printing & Stationery	$ 387	$ 98	$ 401
Postage	6,704	6,407	20,851
Staff Charges	154,486	203,559	583,381
Staff Charges - Insurance	65,737	64,490	269,604
IS Charges	-	-	21,544
Pole Installations	3,148	3,975	23,976
Miscellaneous	2,027	9,353	36,607
TOTAL	$ 232,489	$ 287,882	$ 956,364

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended March 31, 2011

	First Quarter 2011			First Quarter 2010			Annual 2010		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.									
Directors' Fees & Travel	$ -	$ 52,000	$ 52,000	$ -	$ 57,000	$ 57,000	$ -	$ 263,000	$ 263,000
Annual & Quarterly Reports	-	24,000	24,000	-	30,000	30,000	-	89,000	89,000
Trustee & Share Plan Costs	11,000	-	11,000	12,000	-	12,000	45,000	-	45,000
Staff Charges	-	137,000	137,000	-	65,000	65,000	-	352,000	352,000
Joint-use Pole Purchases	936	-	936	1,173	-	1,173	13,512	-	13,512
Miscellaneous	4,059	445,265	449,324	5,468	85,000	90,468	12,493	697,877	710,370
Total	$ 15,995	$ 658,265	$ 674,260	$ 18,641	$ 237,000	$ 255,641	$ 71,005	$ 1,401,877	$ 1,472,882
Fortis Properties Corporation									
Hotel/Banquet Facilities	$ 5,078	$ -	$ 5,078	$ 7,310	$ -	$ 7,310	$ 67,196	$ 2,416	$ 69,612
Miscellaneous	3,322	-	3,322	3,322	-	3,322	11,814	-	11,814
Total	$ 8,400	$ -	$ 8,400	$ 10,632	$ -	$ 10,632	$ 79,010	$ 2,416	$ 81,426
Maritime Electric Co. Ltd.									
Staff Charges	$ -	$ -	$ -	$ -	$ -	$ -	$ 86,218	$ -	$ 86,218
Miscellaneous	3,554	-	3,554	2,914	-	2,914	7,338	-	7,338
Total	$ 3,554	$ -	$ 3,554	$ 2,914	$ -	$ 2,914	$ 93,556	$ -	$ 93,556
FortisAlberta Inc.									
Staff Charges	$ -	$ -	$ -	$ -	$ -	$ -	$ 64,914	$ -	$ 64,914
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ 64,914	$ -	$ 64,914
FortisBC Inc.									
Miscellaneous	$ 1,092	$ -	$ 1,092	$ 3,600	$ -	$ 3,600	$ 9,859	$ -	$ 9,859
Total	$ 1,092	$ -	$ 1,092	$ 3,600	$ -	$ 3,600	$ 9,859	$ -	$ 9,859

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended March 31, 2011

	First Quarter 2011	First Quarter 2010	Annual 2010
Fortis Inc.			
Postage	$ 6,704	$ 6,407	$ 20,851
Staff Charges	100,689	171,785	500,948
Staff Charges - Insurance	39,956	44,531	213,164
Pole Installations	3,148	3,975	23,976
Miscellaneous	142	358	8,747
Total	$ 150,639	$ 227,056	$ 767,686
Fortis Properties Corporation			
Printing & Stationery	$ 387	$ 98	$ 401
Staff Charges	-	-	1,247
Staff Charges - Insurance	7,013	8,463	23,303
Miscellaneous	1,017	8,955	9,745
Total	$ 8,417	$ 17,516	$ 34,696
Maritime Electric Co. Ltd.			
Staff Charges	$ 161	$ 830	$ 2,312
Staff Charges - Insurance	733	568	1,346
IS Charges	-	-	3,351
Miscellaneous	-	-	580
Total	$ 894	$ 1,398	$ 7,589
FortisOntario Inc.			
Staff Charges - Insurance	$ 462	$ 3,584	$ 4,417
IS Charges	-	-	4,788
Miscellaneous	-	-	360
Total	$ 462	$ 3,584	$ 9,565
Belize Electric Company Limited			
Staff Charges	$ -	$ 7,823	$ 37,456
Staff Charges - Insurance	162	-	1,134
Total	$ 162	$ 7,823	$ 38,590

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended March 31, 2011

	First Quarter 2011	First Quarter 2010	Annual 2010
Belize Electricity Limited			
Staff Charges	$ -	$ 190	$ 3,739
Staff Charges - Insurance	1,296	1,296	8,043
Miscellaneous	847	40	5,177
Total	$ 2,143	$ 1,526	$ 16,959
FortisAlberta Inc.			
Staff Charges - Insurance	$ 1,488	$ -	$ 540
Miscellaneous	-	-	2,990
Total	$ 1,488	$ -	$ 3,530
FortisBC Inc.			
Staff Charges - Insurance	$ 1,296	$ -	$ 1,410
IS Charges	-	-	13,405
Miscellaneous	21	-	1,919
Total	$ 1,317	$ -	$ 16,734
FortisBC Holdings Inc.			
Staff Charges	$ 10,215	$ -	$ -
Staff Charges - Insurance	1,728	378	540
Miscellaneous	-	-	6,212
Total	$ 11,943	$ 378	$ 6,752
Caribbean Utilities Co. Limited			
Staff Charges - Insurance	$ 11,387	$ 2,268	$ 7,452
Total	$ 11,387	$ 2,268	$ 7,452
Fortis Turks and Caicos			
Staff Charges	$ 43,421	$ 22,931	$ 37,679
Staff Charges - Insurance	216	3,402	8,255
Miscellaneous	-	-	877
Total	$ 43,637	$ 26,333	$ 46,811

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Agreements With Associated Companies
For the Period Ended March 31, 2011

No loans or agreements with related companies were entered into during the quarter ending March 31, 2011.

NEWFOUNDLAND POWER INC.

CUSTOMER PROPERTY DAMAGE CLAIMS REPORT

For the Period Ended March 31, 2011

Introduction

The Customer Property Damage Claims Report contains an overview of all damage claims activity summarized on a quarterly basis. The information contained in the report is broken down by cause as well as by the operating region where the claims originated.

The report is divided into four sections as follows:

1. The first section indicates the number of claims received during the quarter coupled with claims outstanding from the previous quarter.

2. The second section shows the number of claims for which the Company has accepted responsibility and the amount paid to claimants versus the amount originally claimed.

3. The third section shows the number of claims rejected and the dollar value associated with those claims.

4. The fourth section indicates those claims that remain outstanding at the end of the current quarter and the dollar value associated with such claims.

Overview - First Quarter

The total number of damage claims received during the first quarter of 2011 was the same as the number of claims received during the same period in 2010. In the quarter an increase in the number of claims reported under Equipment Failure was offset by a decrease in the Power Interruptions and Improper Workmanship categories.

Please note that the number of claims outstanding from the last quarter has been reduced by five as a result of claims being withdrawn by customers. Of these claims, two were originally reported in the St. John's Region under Equipment Failure. The remaining claims were original reported in the Eastern Region with two under Equipment Failure and one under Improper Workmanship. The new total of outstanding claims is 15, down from 20 as reported in the summary for the quarter ending December 2010.

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Cause

For the Quarter Ending March 31, 2011

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	1	-	1	-	$ -	$ -	-	$ -	1	$ 400
Power Interruptions	-	-	-	-	-	-	-	-	-	-
Improper Workmanship	8	4	12	6	7,265	4,400	-	-	6	15,550
Weather Related	-	-	-	-	-	-	-	-	-	-
Equipment Failure	29	5	34	27	25,344	15,117	-	-	7	6,100
Third Party	-	1	1	-	-	-	-	-	1	500
Miscellaneous	8	5	13	7	4,316	2,519	-	-	6	11,550
Total	**46**	**15**	**61**	**40**	**$ 36,925**	**$ 22,036**	**-**	**$ -**	**21**	**$ 34,100**

For the Quarter Ending March 31, 2010

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	2	-	2	-	$ -	$ -	1	$ 1,000	1	$ 1,000
Power Interruptions	7	-	7	4	472	472	1	600	2	960
Improper Workmanship	11	3	14	7	15,729	8,379	-	-	7	10,550
Weather Related	-	1	1	-	-	-	-	-	1	5,000
Equipment Failure	18	14	32	22	19,195	17,796	-	-	10	28,255
Third Party	2	-	2	-	-	-	-	-	2	1,200
Miscellaneous	6	4	10	6	2,355	1,355	1	500	3	1,890
Total	**46**	**22**	**68**	**39**	**$ 37,751**	**$ 28,002**	**3**	**$ 2,100**	**26**	**$ 48,855**

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Region

For the Quarter Ending March 31, 2011

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
St. John's Region	18	7	25	13	$ 8,170	$ 4,720	-	$ -	12	$ 20,550
Eastern Region[1]	10	3	13	10	15,954	8,284	-	-	3	2,850
Western Region[2]	18	5	23	17	12,801	9,032	-	-	6	10,700
Total	**46**	**15**	**61**	**40**	**$ 36,925**	**$ 22,036**	**-**	**$ -**	**21**	**$ 34,100**

For the Quarter Ending March 31, 2010

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
St. John's Region	18	6	24	11	$ 5,187	$ 4,587	3	$ 2,100	10	$ 21,540
Eastern Region[1]	15	11	26	15	20,467	11,998	-	-	11	21,415
Western Region[2]	13	5	18	13	12,097	11,417	-	-	5	5,900
Total	**46**	**22**	**68**	**39**	**$ 37,751**	**$ 28,002**	**3**	**$ 2,100**	**26**	**$ 48,855**

[1] Eastern Region includes Avalon, Burin and Clarenville operating areas.

[2] Western Region includes Gander, Grand Falls - Windsor, Corner Brook and Stephenville operating areas.

Definitions of Causes of Damage Claims

1. **System Operations:** Claims arising from system operations. Examples include normal reclosing or switching.

2. **Power Interruptions:** Claims arising from interruption of power supply. Examples include all scheduled or unscheduled interruptions.

3. **Improper Workmanship:** Claims arising from failure of electrical equipment caused by improper workmanship or methods. Examples include improper crimping of connections, insufficient sealing and taping of connections, improper maintenance, inadequate clearance, or improper operation of equipment.

4. **Weather Related:** Claims arising from weather conditions. Examples include wind, rain, ice, lightning, or corrosion caused by weather.

5. **Equipment Failure:** Claims arising from failure of electrical equipment not caused by improper workmanship. Examples include broken neutrals, broken tie wires, transformer failure, insulator failure or broken service wire.

6. **Third Party:** Claims arising from equipment failure caused by acts of third parties. Examples include motor vehicle accidents and vandalism.

7. **Miscellaneous:** All claims not related to electrical service.

NEWFOUNDLAND POWER INC.

CONTRIBUTION IN AID OF CONSTRUCTION
QUARTERLY ACTIVITY REPORT

For the Period Ended March 31, 2011

The table below summarizes Contribution In Aid of Construction (CIAC) activity for the first quarter of 2011. The table is divided into three sections. The first section identifies the type of service for which a CIAC has been calculated. Services are categorized as Domestic (located within a Residential Planning Area), Domestic (located outside a Residential Planning Area) or General Service.

The second section indicates the number of CIACs quoted during the quarter as well as the number of CIAC quotes that remained outstanding at the end of the previous quarter. This format facilitates a reconciliation of the total number of CIACs that were active during the quarter.

The third section provides information as to the disposition of the total CIACs quoted. A CIAC is considered Accepted when a customer indicates they wish to proceed with construction of the extension and has agreed to pay any charge that may be applicable. A CIAC is considered Outdated after six months has elapsed and the customer has not indicated their intention to proceed with the extension. A quoted CIAC is Outstanding if it is neither Accepted nor Outdated.

Type of Service	CIACs Quoted	CIACs Outstanding Previous Qtr.	Total CIACs Quoted	CIACs Accepted	CIACs Outdated	Total CIACs Outstanding
Domestic						
- Within Planning Area	13	11	24	13	5	6
- Outside Planning Area	32	28	60	19	10	31
	45	39	84	32	15	37
General Service	16	6	22	10	1	11
Total	61	45	106	42	16	48

The table on pages 2 and 3 of the report provide specific information for the 61 CIACs quoted to customers during the period January 1, 2011 to March 31, 2011. Both the CIAC amounts quoted and the Estimated Construction Costs exclude HST.

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
First Quarter 2011

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (within Residential Planning Area)				
24-Jan-11	2011-20-102	1,594.00	4,295.00	Yes
28-Jan-11	2011-20-103	2,300.33	7,010.33	Yes
4-Feb-11	2011-10-107	3,270.00	5,820.00	Yes
14-Feb-11	2011-20-107	2,660.00	5,660.00	Yes
14-Feb-11	2011-20-106	2,670.00	5,220.00	Yes
16-Feb-11	2011-10-111	705.00	3,255.00	Yes
22-Feb-11	2011-51-104	2,320.00	4,870.00	Yes
23-Feb-11	2010-10-167	1,380.00	3,930.00	Yes
24-Feb-11	2011-41-104	2,552.50	5,462.50	
8-Mar-11	2011-20-109	1,282.50	4,305.00	Yes
21-Mar-11	2011-20-110	8,790.00	11,340.00	
21-Mar-11	2011-20-112	1,580.00	4,490.00	Yes
25-Mar-11	2011-10-118	3,329.70	5,879.70	
DOMESTIC (outside Residential Planning Area)				
5-Jan-11	2010-30-129	4,331.29	5,081.29	
6-Jan-11	2011-41-100	1,040.60	1,790.60	Yes
10-Jan-11	2010-20-230	8,400.00	9,150.00	Yes
18-Jan-11	2010-30-107	2,340.27	3,090.27	Yes
18-Jan-11	2010-10-168	10,153.00	10,903.00	
21-Jan-11	2011-10-102	2,289.94	3,039.94	Yes
25-Jan-11	2011-20-104	450.00	1,500.00	
26-Jan-11	2011-41-102	2,192.04	2,942.04	Yes
28-Jan-11	2011-50-100	840.00	1,590.00	
28-Jan-11	2011-50-101	6,350.00	7,550.00	
28-Jan-11	2011-40-104	3,318.18	4,068.18	
28-Jan-11	2011-40-100	82,541.25	82,541.25	
28-Jan-11	2011-50-102	2,961.54	3,711.54	Yes
28-Jan-11	2011-40-101	4,382.43	5,132.43	Yes
14-Feb-11	2011-20-105	24,996.25	32,646.25	
17-Feb-11	2011-51-105	44,411.75	48,968.75	
17-Feb-11	2011-51-102	56,800.00	62,050.00	
18-Feb-11	2010-10-169	4,475.00	5,225.00	
18-Feb-11	2011-51-103	28,442.50	38,042.50	
23-Feb-11	2011-10-105	1,260.00	2,010.00	Yes
23-Feb-11	2011-10-106	5,300.00	6,050.00	
24-Feb-11	2011-10-113	1,879.34	2,629.34	Yes
24-Feb-11	2011-20-108	3,773.21	4,523.21	
2-Mar-11	2011-40-105	6,975.63	7,725.63	
15-Mar-11	2011-40-107	4,853.63	5,603.63	

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
First Quarter 2011

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (outside Residential Planning Area)				
15-Mar-11	2011-40-108	4,680.00	5,430.00	Yes
17-Mar-11	2011-40-109	16,680.00	19,230.00	
18-Mar-11	2011-10-108	3,000.00	3,750.00	
18-Mar-11	2011-20-111	2,595.10	3,345.10	
22-Mar-11	2011-10-114	5,410.00	6,160.00	Yes
24-Mar-11	2011-10-119	57,828.00	69,978.00	
30-Mar-11	2011-20-113	13,630.00	14,380.00	
GENERAL SERVICE				
5-Jan-11	2010-30-128	191.25	3,827.25	Yes
10-Jan-11	2010-10-173	2,500.00	9,220.00	Yes
10-Jan-11	2010-41-102	3,860.00	11,740.00	Yes
11-Jan-11	2010-10-175	1,402.54	33,917.54	Yes
12-Jan-11	2011-41-101	3,790.00	10,243.00	Yes
17-Jan-11	2011-10-103	8,012.60	18,850.00	Yes
18-Jan-11	2011-31-100	2,934.12	9,609.12	Yes
18-Jan-11	2011-10-100	8,150.00	15,925.00	Yes
26-Jan-11	2011-41-103	4,252.00	10,930.00	Yes
7-Feb-11	2011-10-101	7,915.00	10,915.00	Yes
24-Feb-11	2011-51-101	9,200.00	12,350.00	
8-Mar-11	2011-30-105	622,000.00	755,000.00	
14-Mar-11	2011-10-115	4,092.40	11,065.00	
17-Mar-11	2011-41-106	2,152.00	9,525.00	
22-Mar-11	2011-41-105	2,896.00	6,370.00	
24-Mar-11	2011-10-116	1,808.00	12,540.00	

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
P.O. Box 8910
St. John's, NL A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

August 11, 2011

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

Enclosed are eleven copies of Newfoundland Power Inc.'s Quarterly Regulatory Report for the quarter ending June 30, 2011.

The report is divided into five sections: Quarterly Summary; Capital Expenditure Progress; Inter-Company Transactions; Customer Property Damage Claims; and Contribution In Aid of Construction Activity.

If you have any questions on the enclosed, please contact the undersigned at the direct number noted below.

Yours very truly,

Gerard M. Hayes
Senior Counsel

Enclosures

c. Geoffrey P. Young
Newfoundland & Labrador Hydro

Quarterly Regulatory Report

For The Period Ended

June 30, 2011

NEWFOUNDLAND POWER
A FORTIS COMPANY

QUARTERLY REGULATORY REPORT

FOR THE PERIOD ENDED

June 30, 2011

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1. Highlights

Highlights	2nd Quarter			Annual
	Actual 2011	Plan 2011	Actual 2010	Plan 2011
Customer Satisfaction (%)	89	89	90	89
Customer Minutes of Outage [1]	8.7	6.2	6.1	36.9
Electricity Delivery [2]				
Electricity Sales (GWh)	1,268.7	1,224.9	1,220.2	5,480.0
Peak Demand (MW) [3]	1,252.5	1,283.9	1,237.6	1,283.9
Injury Frequency Rate [4]	0.7	1.7	0.7	1.7
Revenue ($millions)	132.5	126.0	126.2	560.1
Earnings ($millions) [5]	10.7	9.4	11.0	32.0

- 2nd quarter customer satisfaction was 89%.
- Electricity sales were higher than plan.
- 2nd quarter customer minutes of outage were higher than plan.
- 2nd quarter earnings were above plan; annual earnings are trending above plan.
- One medical aid incident recorded in the 2nd quarter.

[1] In millions of minutes, excluding Hydro related interruptions.
[2] Weather adjusted.
[3] Peak demand for the 2010/2011 winter period occurred on February 2nd, 2011 at 5:45 p.m.
[4] Injuries per 200,000 hours worked.
[5] Earnings applicable to common shares.

2. Customer Service

Customer Service Performance (%)	Year to Date				Annual
	Actual 2011	Plan 2011	Actual 2010		Plan 2011
Customer Satisfaction	89	89	89		89
First Call Resolution [1]	89	89	89		89
Service Level [2]	79	80	74		80
Trouble Call Response [3]	82	85	88		85

[1] % of customer calls resolved on first contact.
[2] % of customer calls answered within 60 seconds.
[3] % of trouble call response within two hours.

Customer Service Performance

2nd quarter customer satisfaction and first call resolution were consistent with plan. Service level for the quarter was below plan bringing the year to date performance to 79% of calls answered in 60 seconds. The volume of customer calls in the 2nd quarter was higher than plan due to the postal strike, introduction of the seasonal rate option, as well as energy conservation and technical requests. Trouble call response for the 2nd quarter was below plan. This was largely due to poor weather conditions which caused an unusually high volume of individual trouble calls.

Customer Service Improvements

The Company ramped up its marketing campaign to promote customers' use of ebills during the postal strike. This included contacting customers via phone and email to remind them of the Company's ebill offering. This resulted in an increase in participation in ebills of over 5,000 customers or 14% in the 2nd quarter alone. The Company now has over 42,000 customers using ebills.

Customers' use of telephone self-service options increased by 12% in the first half of this year, compared to the same period in 2010, to comprise over 40% of all customer calls. The Company continues to expand the services available through telephone and web self-service, which now include options such as payment arrangements and reporting of streetlight outages. Self-service provides customer convenience while improving the Company's operational efficiency.

Energy Conservation

During the 1st half of 2011, 1,677 Newfoundland Power customers participated in one or more of the takeCHARGE Energy Savers rebate programs. Rebates were $392,000, up 29% over the 1st half of 2010. Energy savings from these participants represent approximately 65% of the Company's annual energy savings target for 2011.

Annual Home Show
Mile One

During the 2nd quarter, the takeCHARGE team attended approximately 30 events, and gave 10 presentations to customer and partner groups. Some of the events during the quarter included: Canadian Home Builders' Association-Eastern Newfoundland (CHBA-EN) Home Show; Professional Municipal Administrators Annual Convention; Deer Lake Business Showcase; Port aux Basques Business Expo; Grand Falls-Windsor Home Show; Bay Expo in Stephenville; and the Kent Pro Show for contractors.

Energy Reduction Strategy Launch

The City of St. John's announced its Energy Reduction Strategy for new homes on June 23rd. The City policy becomes effective September 1st, and will require new homes to have insulated basements, Energy Star® windows and electronic thermostats. takeCHARGE and the CHBA-EN participated in the announcement.

3. System Performance

A. Reliability

System Reliability [1]	Year to Date				Annual
	Actual 2011	Plan 2011	Actual 2010 [2]		Plan 2011
Customer Minutes of Outage [3]	22.0	17.2	55.8		36.9
SAIDI (Outage hours per customer)	1.56	1.22	4.01		2.60
SAIFI (Outages per customer)	0.99	0.91	1.14		1.95

[1] Excludes Hydro-related interruptions.
[2] 2010 system reliability statistics excluding storms are:
- Customer Minutes of Outage 10.3
- SAIDI 0.78
- SAIFI 0.60

[3] In millions of minutes.

Both the number of customer minutes of outage and the number of outages during the 2nd quarter were higher than plan. Scheduled outages were higher than plan, largely due to several major rebuilds being carried out earlier than originally planned. Scheduled outage statistics for the remainder of the year are expected to be below plan. Overall unscheduled outages during the quarter were in line with historical trends.

The significant unplanned power interruptions during the 2nd quarter included:

- April 1st: An unexplained outage on 140L caused an outage to 1,633 customers in the Twillingate area and resulted in 211,874 customer minutes of outage.
- April 2nd: Damage caused by a bird nest resulted in an outage to 1,659 customers in the Wesleyville area and resulted in 340,251 customer minutes of outage.
- April 12th: A failed insulator caused an outage to 2,674 customers in the Stamps Lane area of St. John's and resulted in 243,966 customer minutes of outage.
- April16th: An underground cable fault caused an outage to 1,089 customers in the James Lane area of St. John's and resulted in 298,386 customer minutes of outage.
- May 28th: A broken conductor caused an outage to 2,752 customers in the Shea Heights area of St. John's and resulted in 266,536 customer minutes of outage.

B. Electricity Supply

Electricity Supply	2nd Quarter				Annual
	Actual 2011	Plan 2011	Actual 2010		Plan 2011
Energy Purchased (GWh) [1]	1,210.2	1,163.5	1,160.5		5,375.6
Peak Demand (MW) [1, 2]	1,252.5	1,283.9	1,237.6		1,283.9
Hydro Plant Production (GWh)	147.8	129.6	139.7		422.4
Plant Availability (%)	97.6	96.5	96.7		96.5

[1] Weather adjusted.

[2] Peak demand for the 2010/2011 winter period occurred on February 2rd, 2011 at 5:45 p.m.

Energy purchased during the 2nd quarter was 46.7 GWh higher than plan due to higher than expected electricity sales.

During the 2nd quarter, hydro plant production was 18.2 GWh higher than plan and 8.1 GWh higher than 2010. The higher production in the 2nd quarter primarily reflects higher water inflows, at 146.1 GWh compared to normal of 138.4 GWh.

Hydro plant availability was 97.6% in the 2nd quarter compared to a plan of 96.5%. There were 29 forced outages in the second quarter compared to the 43 experienced in the 2nd quarter of 2010.

4. Financial Matters

Financial Highlights	2nd Quarter			Annual
	Actual 2011	Plan 2011	Actual 2010	Plan 2011
Electricity Sales (GWh)	1,268.7	1,224.9	1,220.2	5,480.0
Revenue ($millions)	132.5	126.0	126.2	560.1
Purchased Power Costs ($millions)	79.6	75.2	74.6	364.2
Operating Costs ($millions) [1]	13.3	12.9	12.7	53.3
Operating Cost per Customer ($)	57	55	53	225
Earnings ($millions) [2]	10.7	9.4	11.0	32.0

[1] Excluding pension, OPEBs, and early retirement program costs.
[2] Earnings applicable to common shares.

Financial Results

In the 2nd quarter of 2011, electricity sales increased by 48.5 GWh or 4.0% over the same quarter last year. During this period, residential energy sales increased due to an increase in both the number of customers and the number of electrically heated homes. Commercial energy sales also increased largely due to an early start to the crab fishery, a rebound in the retail sector, and construction power for the hydromet nickel processing plant in Long Harbour. Revenue and purchased power costs for the 2nd quarter of 2011 were higher than plan, primarily as a result of higher than expected sales.

Operating costs for the 2nd quarter were higher than plan. This was mainly due to higher operating labour costs, primarily related to training of new employees and the replacement of employees due to illness. As well, professional fees were higher as a result of the Company's consideration of adopting new accounting standards in 2012.

Earnings for the 2nd quarter were higher than plan primarily due to increases in electricity sales and other revenue and a lower effective tax rate, partially offset by higher operating expenses.

Joint Use Support Structure Agreement

On January 1st, 2011, the new Joint Use Support Structure regime with Bell Aliant went into effect. The new arrangements with Bell Aliant are subject to certain conditions, including PUB approval of the sale of 40% of the Company's joint use poles. On July 22nd, 2011, the PUB issued an order denying the Company's application related to the sale. The Company is currently reviewing the order and its options, including whether to appeal the PUB decision or file further evidence to support the PUB's reconsideration of the proposed sale. Newfoundland Power continues to provide construction and maintenance services for Bell Aliant's support structures throughout 2011.

Customer Rates

Effective July 1st, 2011, there was an overall average increase in customer electricity rates of 7.7%. The increase is primarily as a result of increases in Newfoundland and Labrador Hydro's (Hydro) cost of fuel, which are flowed-through to the Company's customers through the operation of its Rate Stabilization Account ("RSA"). The operation of the RSA also captures other variances in Newfoundland Power's costs such as pension and energy supply costs.

As part of its 2011 Budget, the Government of Newfoundland and Labrador introduced an Energy Rebate. This will result in the 8% provincial portion of the HST on home energy purchases, including electricity, being refunded to residential customers. The details regarding the rebate process and implementation date are expected to be finalized over the summer months for implementation in September or October 2011.

On July 1st, 2011 the Optional Seasonal Rate became available to Domestic customers. As of the end of July 2011 approximately 1,650 customers have subscribed to the seasonal rate option.

Financial Reporting Standards

Due to the continued uncertainty regarding rate-regulated accounting under International Financial Reporting Standards (IFRS), the Company is continuing its evaluation of the possible adoption of US GAAP, as opposed to IFRS, effective January 1st, 2012. During the quarter, the Company substantially completed its analysis of differences between US GAAP and Canadian GAAP. The adoption of US GAAP is expected to result in fewer significant changes in the Company's accounting policies as compared to those that may result with the adoption of IFRS.

On June 9, 2011, the Ontario Securities Commission (OSC) granted an exemption which allows Newfoundland Power to prepare its financial statements in accordance with US GAAP without qualifying as a US Securities and Exchange Commission issuer. The exemption is for financial years commencing on or after January 1st, 2012, but before January 1st, 2015. This exemption is expected to reduce the corporate governance and legal requirements associated with adopting US GAAP.

The Company also requires an amendment of the *Corporations Act* (Newfoundland and Labrador) in order to prepare its financial statements in accordance with US GAAP. The amendment has been requested, and a decision is expected in the 3rd quarter of 2011.

Defined Benefit Pension Plan

Based on a review of Newfoundland Power's defined benefit pension plan asset mix and investment strategy, the Company plans to gradually reduce the Canadian equity concentration from 40% to 30% of total plan assets and to increase the fixed income securities from 40% to 50% over the next five years. The transition timing will be subject to market conditions. The Company commenced execution of this change in investment strategy in 2011, with a 2% shift from Canadian equities to fixed income securities.

Depreciation

The Company's depreciation of property, plant and equipment is subject to periodic review by external experts. The most recent review, based on capital assets in service as at December 31st, 2010, indicates an accumulated depreciation variance of approximately $17.7 million. The disposition of this variance is expected to increase amortization of capital assets in future years and will be the subject of future PUB consideration.

Credit Facilities and Ratings

In the 2nd quarter, Newfoundland Power extended its $100 million committed credit facility to August 2015. In addition, the Company negotiated a $20 million uncommitted demand facility agreement with Scotiabank. The uncommitted facility complements the committed facility by supporting very short-term (i.e. day-to-day) cash flow requirements.

Moody's Investor Service issued a revised credit opinion for Newfoundland Power in July 2011. The revised opinion confirmed the Company's existing investment grade bond rating.

5. Capital Program

Capital Expenditures	Year to Date			Annual
	Actual 2011	Plan 2011	Actual 2010	Plan [1] 2011
Total ($000s)	29,376	32,334	33,721	76,349

[1] Plan excludes the $750,000 allowance for unforeseen items. Plan includes carryover of $1.4 million for Transmission projects and $0.9 million for Substation projects. The carryovers were necessary due to additional storm related work undertaken in 2010. The Plan also includes $1.8 million for Generation projects related to the refurbishment of Port Union and Lawn plants approved in Order No. P. U. 11 (2011). These plants were damaged in Hurricane Igor.

2011 Capital Expenditure

Capital expenditures were lower than plan in the 2nd quarter primarily due to timing of equipment deliveries and invoicing for 3rd party work.

Procurement and construction are underway for most large capital projects. Capital project activity during the 2nd quarter included:

Rattling Brook spillway rehabilitation

- Site work for the Rattling Brook spillway rehabilitation project got underway mid June. Construction is progressing well with first concrete poured by the end of June. The project is scheduled for completion by the end of September.

- The rebuild of transmission lines 23L and 24L on the Southern Shore is progressing, with construction 50% complete on 23L and 90% complete on 24L. The tender has been awarded for the rebuild of 25L (Goulds to St. John's).

- The projects to replace the power transformers at Kelligrews and Pulpit Rock substations are underway. Both transformers are scheduled to be delivered in mid July.

- The project to increase the height of the Sandy Lake spillway has received all provincial and federal environmental approvals and the construction tender has been awarded, with work to start in late July.

6. Safety

Safety Performance	Year to Date			Annual
	Actual 2011	Plan 2011	Actual 2010	Plan 2011
Injury Frequency Rate [1]	2.8	1.7	2.0	1.7

[1] Injuries per 200,000 hours worked.

Safety Performance

There was one medical aid injury recorded in the 2nd quarter. The injury occurred when a Meter Reader was bitten by a dog. There were no recordable vehicle accidents during the 2nd quarter, as compared to three recordable vehicle accidents for the 2nd quarter of 2010.

Newfoundland Power's injury frequency rate is trending over plan for 2011. This is principally the result of the poor safety performance in the 1st quarter of the year.

Safety Initiatives

During the 2nd quarter, a new safety project was launched within the line operations group. The objective of the project is to ensure work is consistently planned and carried out in adherence with all line operations safety standards and procedures and to promote a strong safety culture aimed at reducing accidents and injuries. A team led by Corporate Safety is working with the Company's operating areas to create specific plans to improve safety performance in each area.

During the quarter, Monday morning safety meetings were initiated for all operations staff. These safety meetings emphasize the importance of working safely and include review of any safety-related incidents from the previous week and discussion of new safety initiatives.

OH&S Regulation

On May 20th, Newfoundland Power requested approval from Government Services, Occupational Health and Safety Division (OHSD) for the Company to adopt the City of St. John's (the "City") Traffic Control Manual as the basis for traffic control procedures. Adoption of the City's traffic control procedures, which are approved by OHSD, is an efficient means for the Company to ensure continued regulatory compliance. On May 27th, the Company received an email from OHSD stating that they did not foresee any problems granting approval and that a formal response would follow.

On June 3rd, OHSD requested a copy of the accident investigation report for an employee injury that occurred on March 3rd. The injury was the result of a Powerline Technician falling from a ladder while inspecting a customer's service. The report was provided and no further action is required.

On June 22nd, a Newfoundland Power pole contractor excavating for a pole relocation to accommodate the expansion of Hydro's substation at the Come by Chance oil refinery contacted one of the underground cables supplying the refinery. There were no injuries, but the contact interrupted electrical service to the refinery. OHSD has requested a copy of the accident investigation report.

Public Safety

During the 2nd quarter, there were eight public safety incidents. This is an increase over the 1st quarter when there were six incidents. Five of these were low voltage contacts involving trucks or excavators contacting service wires or street light feeds. Three were high voltage contacts which included two tree felling incidents and one excavator contacting a primary line. Public safety incidents are reported to OHSD immediately as well as being recorded by Newfoundland Power. Corrective measures are initiated with the contractors or individuals involved in each incident.

Public safety education efforts were active during the 2nd quarter. Approximately 1,100 students representing 13 elementary schools throughout the province attended presentations on electrical safety. 68 volunteer fire fighters attended the Company's Fire Fighting and Electricity seminars. Public safety advertising also continued. Newfoundland Power is currently developing a safety ad that will air on television this fall aimed directly at preventing public electrical contact incidents.

North American Occupational Safety and Health (NAOSH) Week

NAOSH week was celebrated throughout the Company from May 2nd to May 6th. Safety related activities included work site inspections, work observations, safety training and safety meetings. Information sessions were held with retired employee Randy Pennell discussing his serious accident and injury in 2001. NAOSH week also included health and wellness activities such as heart healthy breakfasts and snacks, lifestyle/wellness presentations and fitness walks.

Atlantic Electrical Utilities Safety Professionals (AEUSP) Conference

Newfoundland Power and Hydro co-hosted the AEUSP conference on June 2nd and 3rd in St. John's. Over 20 attendees, representing 7 utilities, participated in discussions regarding utility safety issues and initiatives.

7. Environment

Environment Performance	Year to Date			Annual
	Actual 2011	Plan 2011	Actual 2010	Plan 2011
Number of Spills	38	32	42	65
Reportable PCB Spills [1]	1	2	0	2
Volume of Oil Spills (Litres)	606 [2]	360	344	725

[1] PCB spills must be reported if any of the following conditions exist:
- All oil spills in water regardless of PCB concentration or volume.
- All PCB spills that exceed the one gram rule.
- All oil spills of equipment in storage / inventory (not in use) that exceed a concentration of 2 ppm PCBs regardless of quantity.

[2] Includes 210 litres of mineral oil spilled as a result of one 3rd party incident.

The number of spills to date has decreased compared to the same period in 2010. The number of spills in 2010 was higher due to an ice storm in March 2010 which resulted in damage to a number of distribution transformers on the Bonavista and Avalon Peninsulas. However, the volume of spills in 2011 is higher compared to the same period in 2010. The increase is primarily due to a third party incident that resulted in a spill of 210 litres.

Sustainable Electricity

On June 30th, the Canadian Electricity Association (CEA) released its third *Sustainable Electricity Annual Report*, outlining the environmental, social and economic performance of its member companies in 2010. The 2010 report outlines the steps taken to fulfil the commitment of Newfoundland Power and other CEA utility members to provide reliable, safe, sustainable and cost-effective electricity to Canadians.

ISO 14001

In the 2nd quarter, environmental training was provided to 67 Company employees and 93 contractor employees performing work on behalf of the Company, bringing the total participation year to date to 74 and 127, respectively. This training reinforced the importance for our employees and contractors of performing their duties in an environmentally responsible manner.

Work has begun on production of a video which combines Environment and Health and Safety awareness training for contractors. Training using this video is expected to start later in 2011.

8. Community

EnviroFest 2011

Newfoundland Power partnered with the provincial government for the 14th annual *EnviroFest* celebrations. Communities across the island came out in support of the various events which were aimed at increasing environmental awareness across the province. Each of the events was successful in engaging participants and educating them about what it means to be environmentally friendly. Tree planting and beautification projects were held at various locations across the island.

Fish Friends

Hundreds of students, along with the Company's Environmental Coordinators, released Atlantic salmon fry into Newfoundland's streams during the week of June 14th – 16th. This marks the Company's 14th year as a corporate sponsor of the *Fish Friends* program, having contributed approximately $80,000 over the years.

Students Participating in the Fish Friends Program

The Power of Life Project

The 2nd annual *Power of Life* Kitchen Party took place in St. John's on April 1st. The $5,200 raised during the event was donated to the Dr. H. Bliss Murphy Cancer Care Foundation during the Garden of Hope Radiothon. Newfoundland Power employees also answered the phones during the 15th annual Garden of Hope Radiothon April 13th. Approximately $108,000 was raised with all proceeds going towards the development and maintenance of the Dr. H. Bliss Murphy Cancer Care Gardens of Hope in St. John's, Grand Falls-Windsor and Corner Brook.

Corner Brook Cancer Centre

On May 30th, employees from Corner Brook unveiled an updated waiting room and presented two new blood pressure monitors at the Corner Brook Cancer Centre. A total of $17,000 was raised by employees for this project through yard sales, tickets sales, and other events.

The 4th Annual Power of Life Softball Tournament was held on June 10th and 11th in St. John's. The $2,000 raised during the event was donated to *The Power of Life Project*. Stephenville employees held their 3rd annual golf tournament at Harmon Seaside Links in Stephenville, Saturday, June 4th. Approximately $3,500 was raised for *The Power of Life Project*.

Learn Not to Burn

At the Annual Convention of the Newfoundland and Labrador Association of Fire Services in June, the Company donated $15,000 in support of the *Learn Not to Burn Program* for school children across the province.

FINANCIAL STATEMENTS

NEWFOUNDLAND POWER INC.
BALANCE SHEETS
As At June 30
($000s)

	2011	2010 [1]
Capital Assets		
Property plant and equipment	1,240,352	1,262,940
Less: accumulated amortization	453,510	460,390
	786,842	802,550
Current Assets		
Accounts receivable	72,915	60,729
Income tax receivable	-	2,696
Materials and supplies	1,092	1,069
Prepaid expenses	787	803
Regulatory assets	14,675	7,906
	89,469	73,203
Accrued Pension	96,633	98,552
Regulatory Assets	177,742	200,838
Assets Held for Sale	44,698	-
Intangible Assets, net of amortization	15,257	15,662
Other Assets	1,541	1,620
Total Assets	**1,212,182**	**1,192,425**
Shareholders' Equity		
Common shares	70,321	70,321
Retained earnings	337,697	321,192
Common shareholder's equity	408,018	391,513
Preference shares	9,091	9,111
	417,109	400,624
Current Liabilities		
Bank indebtedness	255	549
Short-term borrowings	89	675
Accounts payable and accrued charges	46,163	41,702
Income tax payable	2,953	-
Current instalments of long-term debt	5,200	5,200
Future income taxes	3,100	653
Regulatory liabilities	1,541	4,556
	59,301	53,335
Future Income Taxes	120,351	122,786
Long-term Debt	493,800	486,646
Other Post Employment Benefits	54,481	49,538
Other Liabilities	4,294	4,027
Regulatory Liabilities	62,846	75,469
Total Shareholders' Equity and Liabilities	**1,212,182**	**1,192,425**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS
For The Periods Ended June 30
($000s)

	SECOND QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2011	Plan 2011	Actual [1] 2010	Actual 2011	Plan 2011	Actual [1] 2010	Plan 2011	Actual 2010
Revenue	132,498	126,004	126,199	315,464	306,998	304,473	560,104	554,950
Purchased Power	79,575	75,167	74,616	213,602	209,240	205,804	364,181	358,443
Contribution	52,923	50,837	51,583	101,862	97,758	98,669	195,923	196,507
Operating Expenses	13,252	12,924	12,725	28,034	26,854	26,449	53,291	54,623
Pension and Early Retirement Program Costs	5,169	4,621	2,081	10,293	9,204	4,121	18,407	7,588
Amortization	10,494	10,598	10,779	20,721	20,923	21,175	42,963	43,358
Cost Recovery Deferral	(591)	(600)	-	(1,182)	(1,200)	-	(2,400)	-
Amortization True-Up Deferral	-	-	966	-	-	1,931	-	3,862
Finance Charges	9,036	9,183	8,977	18,060	18,354	17,969	35,705	35,633
Earnings Before Income Taxes	15,563	14,111	16,055	25,936	23,623	27,024	47,957	51,443
Income Taxes	4,771	4,535	4,933	8,022	7,592	8,567	15,413	15,870
Net Earnings	10,792	9,576	11,122	17,914	16,031	18,457	32,544	35,573
Dividends on Preference Shares	142	142	142	284	284	284	568	568
Earnings Applicable to Common Shares	**10,650**	**9,434**	**10,980**	**17,630**	**15,747**	**18,173**	**31,976**	**35,005**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF RETAINED EARNINGS
For The Periods Ended June 30
($000s)

	2011	2010
Balance, Beginning of the Period	330,181	310,864
Net Earnings	17,914	18,457
Dividends		
Preference Shares	(284)	(284)
Common Shares	(10,114)	(7,845)
Balance, End of the Period	**337,697**	**321,192**

NEWFOUNDLAND POWER INC.
STATEMENTS OF CASHFLOWS
For The Periods Ended June 30
($000s)

	2011	2010 [1]
Operating Activities		
Net earnings	17,914	18,457
Items not affecting cash:		
Amortization of property, plant and equipment	19,508	19,756
Amortization of intangibles and other	1,361	1,533
Change in regulatory assets and liabilities	3,164	4,229
Future income taxes	(2,449)	(317)
Employee future benefits	3,149	(734)
Change in non-cash working capital	(30,276)	(18,264)
	12,371	24,660
Investing Activities		
Capital expenditures (net of salvage)	(29,553)	(35,613)
Intangible asset expenditures	(1,160)	(968)
Contributions from customers	822	890
Other	42	128
	(29,849)	(35,563)
Financing Activities		
Change in short-term borrowings	89	675
Net proceeds from committed credit facility	23,500	12,500
Payment of debt financing costs	(130)	-
Redemption of preference shares	(20)	-
Dividends		
Preference shares	(284)	(284)
Common shares	(10,114)	(7,845)
	13,041	5,046
Decrease in Cash	(4,437)	(5,857)
Cash, Beginning of the Period	4,182	5,308
Cash, End of the Period	**(255)**	**(549)**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

APPENDICES

NEWFOUNDLAND POWER INC.
ELECTRICITY STATISTICS
For The Periods Ended June 30

	SECOND QUARTER		YEAR TO DATE		ANNUAL
	2011	2010	2011	2010	2010
Sales (GWh)					
Actual	1,275.4	1,209.2	3,044.6	2,893.7	5,176.6
Weather adjusted	1,268.7	1,220.2	3,102.5	3,015.4	5,419.0
Plan[1]	1,224.9		3,045.2		
Produced & Purchased (GWh)					
Actual	1,346.4	1,275.9	3,231.0	3,071.1	5,476.6
Weather adjusted	1,339.4	1,287.6	3,292.2	3,199.8	5,732.9
Plan[1]	1,293.1		3,231.8		
Hydro Production (GWh)					
Actual	147.8	139.7	296.1	262.6	462.2

[1] Based on Customer, Energy and Demand Forecast dated March 5, 2010.

NEWFOUNDLAND POWER INC.
STATEMENTS OF ELECTRICITY SOLD (GWh)
For The Periods Ended June 30

WEATHER ADJUSTED

	SECOND QUARTER			YEAR TO DATE			ANNUAL	
BY SALES CATEGORY	**Actual 2011**	**Plan[1] 2011**	**Actual 2010**	**Actual 2011**	**Plan[1] 2011**	**Actual 2010**	**Plan[1] 2011**	**Actual 2010**
Residential	752.5	723.4	727.9	1,955.2	1,912.7	1,898.1	3,343.7	3,311.2
Commercial								
0-10 kW	22.0	20.8	21.5	51.1	49.3	50.3	90.7	92.5
10-100 kW	155.4	150.7	149.3	365.6	358.5	355.1	654.7	649.3
110-1000 kVA	221.7	214.8	212.3	498.3	490.9	483.9	923.7	910.6
1000 kVA and Over	110.0	108.3	102.4	215.2	217.0	210.9	431.5	419.2
Total Commercial	509.1	494.6	485.5	1,130.2	1,115.7	1,100.2	2,100.6	2,071.6
Street Lighting	7.1	6.9	6.8	17.1	16.8	17.1	35.7	36.2
Total Sales	**1,268.7**	**1,224.9**	**1,220.2**	**3,102.5**	**3,045.2**	**3,015.4**	**5,480.0**	**5,419.0**
BY REGION								
St. John's	621.4	599.5	605.7	1,530.3	1,504.9	1,495.0	2,698.2	2,670.3
Eastern [2]	271.6	262.1	257.1	657.5	646.0	635.3	1,161.4	1,146.8
Western [3]	375.7	363.3	357.4	914.7	894.3	885.1	1,620.4	1,601.9
Total Sales	**1,268.7**	**1,224.9**	**1,220.2**	**3,102.5**	**3,045.2**	**3,015.4**	**5,480.0**	**5,419.0**

[1] Based on Customer, Energy and Demand Forecast dated March 5, 2010.

[2] Eastern Region includes the Avalon, Burin and Clarenville operating areas.

[3] Western Region includes the Gander, Grand Falls - Windsor, Corner Brook and Stephenville operating areas.

NEWFOUNDLAND POWER INC.
STATEMENTS OF REVENUE
For The Periods Ended June 30
($000s)

WEATHER ADJUSTED

BY SALES CATEGORY	SECOND QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2011	Plan [1] 2011	Actual 2010	Actual 2011	Plan [1] 2011	Actual 2010	Plan [1] 2011	Actual 2010
Residential	77,025	74,398	74,160	194,859	190,725	187,874	338,853	332,664
Commercial								
0-10 kW	2,975	2,842	2,902	6,728	6,526	6,590	12,229	12,331
10-100 kW	15,836	15,380	15,104	36,354	35,962	35,319	66,611	65,291
110-1000 kVA	18,951	18,310	18,008	42,490	41,929	41,176	79,462	77,976
1000 kVA and Over	7,951	7,892	7,317	15,903	16,168	15,517	32,233	31,037
Total Commercial	45,713	44,424	43,331	101,475	100,585	98,602	190,535	186,635
Street Lighting	3,534	3,421	3,327	6,937	6,839	6,698	13,702	13,540
Forfeited Discounts	688	731	593	1,576	1,669	1,459	2,744	2,494
Revenue From Rates	**126,960**	**122,974**	**121,411**	**304,847**	**299,818**	**294,633**	**545,834**	**535,333**
Energy Supply Cost Variance [2]	1,967	484	394	3,722	2,150	1,228	4,354	2,213
Amortizations [3]								
2010 Pension Expense Variance Deferral	723	291	(160)	1,446	582	(320)	1,161	(640)
OPEBs Deferral	48	-	-	96	-	-	-	-
2005 Unbilled Remaining Balance	-	-	1,155	-	-	2,310	-	4,618
Total Reported Revenue	**129,698**	**123,749**	**122,800**	**310,111**	**302,550**	**297,851**	**551,349**	**541,524**
Other Revenue	2,800	2,255	3,399	5,353	4,448	6,622	8,755	13,426
Total Operating Revenue	**132,498**	**126,004**	**126,199**	**315,464**	**306,998**	**304,473**	**560,104**	**554,950**

(1) Based on March 2010 sales forecast and rates effective January 1, 2011 as approved by Order No. P.U. 36(2010).
(2) Energy Supply Cost Variance as approved in Order No. P.U. 32(2007) and as approved for continued use in Order No. P.U. 43(2009).
(3) Revenue amortizations as approved in Order No. P.U. 32(2007), Order No. P.U. 43(2009) and Order No. P.U. 36(2010).

NEWFOUNDLAND POWER INC.
SUMMARY OF WEATHER ADJUSTMENTS
For The Periods Ended June 30
($000s)

	SECOND QUARTER			YEAR TO DATE			ANNUAL	
REVENUE FROM ELECTRICITY SALES	**Actual 2011**	**Plan [1] 2011**	**Actual 2010**	**Actual 2011**	**Plan [1] 2011**	**Actual 2010**	**Plan [1] 2011**	**Actual 2010**
Actual	127,553	122,974	120,497	299,989	299,818	284,405	545,834	514,888
Degree Day & Wind Adjustment	(593)	-	914	4,858	-	10,228	-	20,445
Weather Adjusted	**126,960**	**122,974**	**121,411**	**304,847**	**299,818**	**294,633**	**545,834**	**535,333**
Energy Supply Cost Variance [2]	1,967	484	394	3,722	2,150	1,228	4,354	2,213
Amortizations [3]								
2010 Pension Expense Variance Deferral	723	291	(160)	1,446	582	(320)	1,161	(640)
OPEBs Deferral	48	-	-	96	-	-	-	-
2005 Unbilled Remaining Balance	-	-	1,155	-	-	2,310	-	4,618
Total Reported Revenue	**129,698**	**123,749**	**122,800**	**310,111**	**302,550**	**297,851**	**551,349**	**541,524**
PURCHASED POWER EXPENSE								
Actual	77,457	74,642	71,786	202,235	208,190	190,666	362,080	328,363
Degree Day & Wind Adjustment	(623)	-	1,026	5,387	-	11,329	-	22,568
Hydro Equalization Adjustment	1,634	-	1,106	4,348	-	2,610	-	4,506
Purchased Power Weather Adjusted	**78,468**	**74,642**	**73,918**	**211,970**	**208,190**	**204,605**	**362,080**	**355,437**
Demand Management Incentive Account [4]	**582**	**-**	**197**	**582**	**-**	**197**	**-**	**994**
Amortizations [5]								
Rattling Brook Deferral	-	-	150	-	-	300	-	598
PPUCVR Balance at Dec 31, 2006	-	-	(174)	-	-	(348)	-	(688)
Weather Normalization Reserve	525	525	525	1,050	1,050	1,050	2,101	2,102
Total Purchased Power Expense	**79,575**	**75,167**	**74,616**	**213,602**	**209,240**	**205,804**	**364,181**	**358,443**

(1) Based on March 2010 sales forecast and rates effective January 1, 2011 as approved by Order No. P.U. 36(2010).
(2) Energy Supply Cost Variance as approved in Order No. P.U. 32(2007) and as approved for continued use in Order No. P.U. 43(2009).
(3) Revenue amortizations as approved in Order No. P.U. 32(2007), Order No. P.U. 43(2009) and Order No. P.U. 36(2010).
(4) Demand Management Incentive Account as approved in Order No. P.U. 32(2007) and as approved for continued use in Order No. P.U. 43(2009).
(5) Amortizations as approved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS - DETAIL
For The Periods Ended June 30
($000s)

	SECOND QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2011	Plan 2011	Actual 2010	Actual 2011	Plan 2011	Actual 2010	Plan 2011	Actual 2010
Other Revenue								
Joint Use Revenue								
Aliant	-	-	1,804	-	-	3,609	-	7,336
CATV	231	228	506	464	456	1,013	912	2,024
Total Joint Use Revenue	231	228	2,310	464	456	4,622	912	9,360
Miscellaneous								
Aliant Pole Sale	1,672	1,090	-	3,222	2,181	-	4,362	-
Customer Jobbing	211	188	154	338	317	236	720	492
Rental Income	-	6	4	7	12	4	25	10
Municipal Tax Liability	-	-	341	-	-	682	-	1,363
Interest - Customer Accounts	273	310	224	541	635	454	1,061	801
Interest - RSA	110	69	14	183	123	40	212	66
Interest - CIAC	23	31	25	47	63	51	125	100
Interest - Other	23	31	25	47	62	52	125	100
Reconnections	29	27	50	41	39	58	87	124
NSF Cheque Charges	8	10	9	16	22	18	40	32
Wheeling Charges	154	135	143	311	285	303	541	591
Miscellaneous	3	70	38	21	144	(12)	290	132
Service Connection Fees	63	60	62	115	109	114	255	255
Total Miscellaneous	2,569	2,027	1,089	4,889	3,992	2,000	7,843	4,066
Total Other Revenue	**2,800**	**2,255**	**3,399**	**5,353**	**4,448**	**6,622**	**8,755**	**13,426**
Finance Charges								
Interest on Long-term Debt	8,887	8,886	8,987	17,773	17,772	17,975	35,444	35,850
Interest on Long-term Committed Credit Facility	229	340	78	394	612	129	593	316
Interest on Short-term Uncommitted Demand Facility	10	-	9	10	-	9	-	13
Amortization of Deferred Debt Issue Costs	47	72	47	95	144	95	290	232
Amortization of Capital Stock Issue Expenses	-	-	10	-	-	19	-	38
Interest on Security Deposits	2	-	1	5	-	2	-	5
Credit Facility Costs	28	-	-	53	-	-	-	-
Interest Charged to Construction	(167)	(115)	(155)	(270)	(174)	(260)	(622)	(821)
Total Finance Charges	**9,036**	**9,183**	**8,977**	**18,060**	**18,354**	**17,969**	**35,705**	**35,633**

NEWFOUNDLAND POWER INC.
CUSTOMER AND EMPLOYEE STATISTICS
As At June 30

	SECOND QUARTER		ANNUAL	
	Actual 2011	**Actual 2010**	**Plan 2011**	**Actual 2010**
Customers	244,907	241,177	245,759	243,426
Employees [1]				
Regular	563	573	589	572
Temporary	70	59	58	69
Total	633	632	647	641

[1] Refers to full time equivalents.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY AREA
For The Periods Ended June 30

	SAIFI					SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR	QUARTER		12 MONTH TO DATE		5 YEAR
	2011	2010	2011	2010	TO DATE	2011	2010	2011	2010	TO DATE
AREA	#	#	#	#	# / YEAR	HOURS	HOURS	HOURS	HOURS	HRS. / YEAR
St. John's	0.29	0.29	2.86	1.94	2.42	0.41	0.33	12.61	1.79	4.79
Avalon	0.23	0.45	1.43	2.32	1.84	0.16	0.39	6.18	7.87	2.37
Burin	1.00	0.16	4.23	3.08	2.46	1.04	0.34	5.62	3.53	3.35
Bonavista	0.52	0.86	3.54	6.08	3.97	1.07	1.56	30.57	33.93	17.72
Gander	1.42	0.54	4.19	3.37	5.09	2.44	0.08	16.69	5.07	10.27
Grand Falls	0.60	0.07	4.93	1.77	1.81	0.75	0.20	4.90	3.36	2.70
Corner Brook	0.21	0.27	1.95	2.59	1.37	0.25	0.35	3.48	2.29	2.76
Stephenville	0.34	0.55	3.48	2.65	2.70	0.29	0.70	8.39	3.38	2.86
Company Totals	**0.45**	**0.36**	**2.60**	**2.53**	**2.45**	**0.62**	**0.48**	**13.84**	**5.46**	**5.73**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended June 30

ORIGIN	SAIFI				
	QUARTER		12 MONTH TO DATE		5 YEAR TO DATE # / YEAR
	2011 #	2010 #	2011 #	2010 #	
Loss of Supply (NF Hydro)	0.04	0.02	0.26	0.37	0.38
Transmission	0.12	0.13	0.84	0.86	0.71
Distribution	0.29	0.21	1.50	1.30	1.36
Company Totals	**0.45**	**0.36**	**2.60**	**2.53**	**2.45**

System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended June 30

ORIGIN	SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR TO DATE HRS. / YEAR
	2011 HOURS	2010 HOURS	2011 HOURS	2010 HOURS	
Loss of Supply (NF Hydro)	0.01	0.04	0.32	0.12	0.19
Transmission	0.46	0.10	5.02	2.11	1.73
Distribution	0.15	0.34	8.50	3.23	3.81
Company Totals	**0.62**	**0.48**	**13.84**	**5.46**	**5.73**

System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BREAKDOWN REPORT
Second Quarter 2011

	SCHEDULED		UNSCHEDULED		TOTAL	
AREA	**SAIFI #**	**SAIDI HOURS**	**SAIFI #**	**SAIDI HOURS**	**SAIFI #**	**SAIDI HOURS**
St. John's	0.06	0.18	0.23	0.23	0.29	0.41
Avalon	0.01	0.01	0.22	0.15	0.23	0.16
Burin	0.34	0.80	0.66	0.24	1.00	1.04
Bonavista	0.42	0.82	0.10	0.25	0.52	1.07
Gander	1.00	1.51	0.42	0.93	1.42	2.44
Grand Falls	0.42	0.47	0.18	0.28	0.60	0.75
Corner Brook	0.05	0.18	0.16	0.07	0.21	0.25
Stephenville	0.10	0.15	0.24	0.14	0.34	0.29
Company Totals	**0.19**	**0.36**	**0.26**	**0.26**	**0.45**	**0.62**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.

CAPITAL EXPENDITURE PROGRESS REPORT

For the Period Ended June 30, 2011

Introduction

The Capital Expenditure Progress Report summarizes the capital expenditures of the various capital accounts of the Company and lists any new lease obligations in excess of $5,000 per year.

The report is divided into three sections as follows:

1. The Budget section outlines the annual capital expenditure budget approved by the Public Utilities Board for the current year.

2. The Expenditure section outlines actual capital expenditures for the current quarter and indicates the portion of the annual capital budget remaining to be expended (difference between annual budget and current quarter actual).

3. The Leasing Arrangement section includes a brief description of the item being leased, the leasing period, and the annual and quarterly leasing costs.

NEWFOUNDLAND POWER INC.
CAPITAL EXPENDITURE PROGRESS REPORT
For the Period Ended June 30, 2011
($000s)

	BUDGET	EXPENDITURE [1]		
	Approved by Order No. P.U. 28(2010) and P.U. 11(2011)	Second Quarter	Year To Date	Unexpended Balance
Generation Hydro	9,496	869	1,212	8,284
Generation Thermal	268	18	30	238
Substations	11,647	1,714	3,727	7,920
Transmission	4,745	384	562	4,183
Distribution	36,842	8,658	16,270	20,572
General Property	1,792	493	631	1,161
Transportation	2,254	1,132	1,716	538
Telecommunications	572	27	31	541
Information Systems	3,603	1,172	1,862	1,741
Unforeseen Items	750	-	-	750
General Expenses Capital	2,800	983	2,036	764
TOTAL	74,769	15,450	28,077	46,692

Leasing Arrangements Entered Into			
Brief Description	**Period**	**Annual Cost**	**Quarterly Payments**
	There were no lease obligations entered into during the second quarter of 2011 that exceed $5,000 annually.		

[1] Excludes capital expenditures of approximately $1,299,000 related to prior years capital projects carried forward into 2011.

NEWFOUNDLAND POWER INC.

INTER-COMPANY TRANSACTIONS REPORT

For the Period Ended June 30, 2011

Introduction

The Inter-Company Transactions Report summarizes transactions between the Company and related corporations on a quarterly and year-to-date basis. The report itemizes the charges by type and distinguishes between regulated and non-regulated charges. The report also documents any contracts, agreements or loans between Newfoundland Power and any related corporation that were signed in the current quarter.

The report is divided into four sections as follows:

1. The first section aggregates charges from all related corporations and presents a summary, by charge type, for the current quarter and year-to-date with comparable data for the same period last year, as well as annual charges for the previous year.

2. The second section breaks down the charges ***from*** each individual associated corporation and presents an itemized quarterly summary for the current year and year-to-date with comparable data for the same period last year, as well as annual charges for the previous year.

3. The third section breaks down the charges ***to*** each individual associated corporation and presents an itemized quarterly summary for the current year and year-to-date with comparable data for the same period last year, as well as annual charges for the previous year.

4. The fourth section lists any contracts or agreements that were signed between the Company and any related corporation as well as any loans with related corporations. Loan information provided includes the amount of the loan, the date of borrowing and date of repayment, the interest rate, and total interest paid.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Summary of Charges
For The Period Ended June 30, 2011

Charges from Associated Companies

Regulated Charges	Second Quarter 2011	Second Quarter 2010	Year To Date 2011	Year To Date 2010	Annual 2010
Trustee & Share Plan Costs	$ 11,000	$ 12,000	$ 22,000	$ 24,000	$ 45,000
Hotel/Banquet Facilities	3,742	4,358	8,820	11,668	67,196
Staff Charges	-	46,199	-	46,199	151,132
Joint-use Pole Purchases	10,583	2,757	11,519	3,930	13,512
Miscellaneous	6,699	13,704	18,726	29,008	41,504
Sub-total	$ 32,024	$ 79,018	$ 61,065	$ 114,805	$ 318,344

Non-Regulated Charges	Second Quarter 2011	Second Quarter 2010	Year To Date 2011	Year To Date 2010	Annual 2010
Directors' Fees & Travel	$ 52,000	$ 57,000	$ 104,000	$ 114,000	$ 263,000
Annual & Quarterly Reports	24,000	30,000	48,000	60,000	89,000
Hotel/Banquet Facilities	-	2,416	-	2,416	2,416
Staff Charges	137,000	65,000	274,000	130,000	352,000
Miscellaneous	69,000	488,877	514,265	573,877	697,877
Sub-total	$ 282,000	$ 643,293	$ 940,265	$ 880,293	$ 1,404,293
TOTAL	$ 314,024	$ 722,311	$ 1,001,330	$ 995,098	$ 1,722,637

Charges to Associated Companies

	Second Quarter 2011	Second Quarter 2010	Year To Date 2011	Year To Date 2010	Annual 2010
Printing & Stationery	$ 72	$ 73	$ 459	$ 171	$ 401
Postage	4,678	5,233	11,382	11,640	20,851
Staff Charges	138,140	207,553	292,626	411,112	583,381
Staff Charges - Insurance	85,352	75,893	151,089	140,383	269,604
IS Charges	-	-	-	-	21,544
Pole Installations	9,555	13,828	12,703	17,803	23,976
Miscellaneous	3,147	1,167	5,174	10,520	36,607
TOTAL	$ 240,944	$ 303,747	$ 473,433	$ 591,629	$ 956,364

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended June 30, 2011

	Second Quarter 2011			Second Quarter 2010		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.						
Directors' Fees & Travel	$ -	$ 52,000	$ 52,000	$ -	$ 57,000	$ 57,000
Annual & Quarterly Reports	-	24,000	24,000	-	30,000	30,000
Trustee & Share Plan Costs	11,000	-	11,000	12,000	-	12,000
Staff Charges	-	137,000	137,000	-	65,000	65,000
Joint-use Pole Purchases	10,583	-	10,583	2,757	-	2,757
Miscellaneous	444	69,000	69,444	2,396	488,877	491,273
Total	$ 22,027	$ 282,000	$ 304,027	$ 17,153	$ 640,877	$ 658,030
Fortis Properties Corporation						
Hotel/Banquet Facilities	$ 3,742	$ -	$ 3,742	$ 4,358	$ 2,416	$ 6,774
Miscellaneous	4,119	-	4,119	8,492	-	8,492
Total	$ 7,861	$ -	$ 7,861	$ 12,850	$ 2,416	$ 15,266
Maritime Electric Co. Ltd.						
Staff Charges	$ -	$ -	$ -	$ 46,199	$ -	$ 46,199
Miscellaneous	2,136	-	2,136	-	-	-
Total	$ 2,136	$ -	$ 2,136	$ 46,199	$ -	$ 46,199
FortisBC Inc.						
Miscellaneous	$ -	$ -	$ -	$ 2,816	$ -	$ 2,816
Total	$ -	$ -	$ -	$ 2,816	$ -	$ 2,816

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended June 30, 2011

	Year To Date 2011			Year To Date 2010			Annual 2010		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.									
Directors' Fees and Travel	$ -	$ 104,000	$ 104,000	$ -	$ 114,000	$ 114,000	$ -	$ 263,000	$ 263,000
Annual & Quarterly Reports	-	48,000	48,000	-	60,000	60,000	-	89,000	89,000
Trustee & Share Plan Costs	22,000	-	22,000	24,000	-	24,000	45,000	-	45,000
Staff Charges	-	274,000	274,000	-	130,000	130,000	-	352,000	352,000
Joint-use Pole Purchases	11,519	-	11,519	3,930	-	3,930	13,512	-	13,512
Miscellaneous	4,503	514,265	518,768	7,864	573,877	581,741	12,493	697,877	710,370
Total	$ 38,022	$ 940,265	$ 978,287	$ 35,794	$ 877,877	$ 913,671	$ 71,005	$ 1,401,877	$ 1,472,882
Fortis Properties Corporation									
Hotel/Banquet Facilities	$ 8,820	$ -	$ 8,820	$ 11,668	$ 2,416	$ 14,084	$ 67,196	$ 2,416	$ 69,612
Miscellaneous	7,441	-	7,441	11,814	-	11,814	11,814	-	11,814
Total	$ 16,261	$ -	$ 16,261	$ 23,482	$ 2,416	$ 25,898	$ 79,010	$ 2,416	$ 81,426
Maritime Electric Co. Ltd.									
Staff Charges	$ -	$ -	$ -	$ 46,199	$ -	$ 46,199	$ 86,218	$ -	$ 86,218
Miscellaneous	5,690	-	5,690	2,914	-	2,914	7,338	-	7,338
Total	$ 5,690	$ -	$ 5,690	$ 49,113	$ -	$ 49,113	$ 93,556	$ -	$ 93,556
FortisAlberta Inc.									
Staff Charges	$ -	$ -	$ -	$ -	$ -	$ -	$ 64,914	$ -	$ 64,914
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ 64,914	$ -	$ 64,914
FortisBC Inc.									
Miscellaneous	$ 1,092	$ -	$ 1,092	$ 6,416	$ -	$ 6,416	$ 9,859	$ -	$ 9,859
Total	$ 1,092	$ -	$ 1,092	$ 6,416	$ -	$ 6,416	$ 9,859	$ -	$ 9,859

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended June 30, 2011

	Second Quarter 2011	Second Quarter 2010	Year To Date 2011	Year To Date 2010	Annual 2010
Fortis Inc.					
Postage	$ 4,678	$ 5,233	$ 11,382	$ 11,640	$ 20,851
Staff Charges	78,686	192,391	179,375	364,176	500,948
Staff Charges - Insurance	70,285	69,725	110,241	114,256	213,164
Pole Installations	9,555	13,828	12,703	17,803	23,976
Miscellaneous	2,743	1,167	2,885	1,525	8,747
Total	$ 165,947	$ 282,344	$ 316,586	$ 509,400	$ 767,686
Fortis Properties Corporation					
Printing & Stationery	$ 72	$ 73	$ 459	$ 171	$ 401
Staff Charges	-	1,247	-	1,247	1,247
Staff Charges - Insurance	9,690	3,893	16,703	12,356	23,303
Miscellaneous	-	-	1,017	8,955	9,745
Total	$ 9,762	$ 5,213	$ 18,179	$ 22,729	$ 34,696
Maritime Electric Co. Ltd.					
Staff Charges	$ 149	$ 913	$ 310	$ 1,743	$ 2,312
Staff Charges - Insurance	207	270	940	838	1,346
IS Charges	-	-	-	-	3,351
Miscellaneous	-	-	-	-	580
Total	$ 356	$ 1,183	$ 1,250	$ 2,581	$ 7,589
FortisOntario Inc.					
Staff Charges	$ 2,088	$ -	$ 2,088	$ -	$ -
Staff Charges - Insurance	103	27	565	3,611	4,417
IS Charges	-	-	-	-	4,788
Miscellaneous	-	-	-	-	360
Total	$ 2,191	$ 27	$ 2,653	$ 3,611	$ 9,565
Fortis US Energy Corporation					
Staff Charges - Insurance	$ 1,199	$ -	$ 1,199	$ -	$ -
Total	$ 1,199	$ -	$ 1,199	$ -	$ -
Belize Electric Company Limited					
Staff Charges	$ -	$ 8,836	$ -	$ 16,659	$ 37,456
Staff Charges - Insurance	-	-	162	-	1,134
Total	$ -	$ 8,836	$ 162	$ 16,659	$ 38,590

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended June 30, 2011

	Second Quarter 2011	Second Quarter 2010	Year To Date 2011	Year To Date 2010	Annual 2010
Belize Electricity Limited					
Staff Charges	$ -	$ 1,750	$ -	$ 1,940	$ 3,739
Staff Charges - Insurance	-	594	1,296	1,890	8,043
Miscellaneous	329	-	1,176	40	5,177
Total	$ 329	$ 2,344	$ 2,472	$ 3,870	$ 16,959
FortisAlberta Inc.					
Staff Charges	$ 9,146	$ -	$ 9,146	$ -	$ -
Staff Charges - Insurance	905	378	2,393	378	540
Miscellaneous	-	-	-	-	2,990
Total	$ 10,051	$ 378	$ 11,539	$ 378	$ 3,530
FortisBC Inc.					
Staff Charges - Insurance	$ 1,952	$ 844	$ 3,248	$ 844	$ 1,410
IS Charges	-	-	-	-	13,405
Miscellaneous	-	-	21	-	1,919
Total	$ 1,952	$ 844	$ 3,269	$ 844	$ 16,734
FortisBC Holdings Inc.					
Staff Charges	$ -	$ -	$ 10,215	$ -	$ -
Staff Charges - Insurance	715	-	2,443	378	540
Miscellaneous	-	-	-	-	6,212
Total	$ 715	$ -	$ 12,658	$ 378	$ 6,752
Caribbean Utilities Co. Limited					
Staff Charges - Insurance	$ (460)	$ -	$ 10,927	$ 2,268	$ 7,452
Total	$ (460)	$ -	$ 10,927	$ 2,268	$ 7,452
Fortis Turks and Caicos					
Staff Charges	$ 48,071	$ 2,416	$ 91,492	$ 25,347	$ 37,679
Staff Charges - Insurance	756	162	972	3,564	8,255
Miscellaneous	75	-	75	-	877
Total	$ 48,902	$ 2,578	$ 92,539	$ 28,911	$ 46,811

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Agreements With Associated Companies
For the Period Ended June 30, 2011

No loans or agreements with related companies were entered into during the quarter ending June 30, 2011.

NEWFOUNDLAND POWER INC.

CUSTOMER PROPERTY DAMAGE CLAIMS REPORT

For the Period Ended June 30, 2011

Introduction

The Customer Property Damage Claims Report contains an overview of all damage claims activity summarized on a quarterly basis. The information contained in the report is broken down by cause as well as by the operating region where the claims originated.

The report is divided into four sections as follows:

1. The first section indicates the number of claims received during the quarter coupled with claims outstanding from the previous quarter.

2. The second section shows the number of claims for which the Company has accepted responsibility and the amount paid to claimants versus the amount originally claimed.

3. The third section shows the number of claims rejected and the dollar value associated with those claims.

4. The fourth section indicates those claims that remain outstanding at the end of the current quarter and the dollar value associated with such claims.

Overview - Second Quarter

The total number of damage claims received during the second quarter of 2011 has increased in comparison to the number of claims received during the same period in 2010. The increase is primarily found in the Equipment Failure and Miscellaneous categories.

Please note that the number of claims outstanding from the last quarter has been reduced by two as a result of claims being withdrawn by customers. One claim was originally reported in the Third Party category in St. John's Region while second claim was reported in Equipment Failure category in the Western Region. The new total of outstanding claims is 19, down from 21 as reported in the summary for the quarter ending March 2011.

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Cause

For the Quarter Ending June 30, 2011

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	1	1	2	1	$ 221	$ 150	-	$ -	1	$ 400
Power Interruptions	1	-	1	1	300	300	-	-	-	-
Improper Workmanship	5	6	11	3	5,745	5,745	-	-	8	20,500
Weather Related	1	-	1	-	3,837	-	1	3,837	-	-
Equipment Failure	24	6	30	22	16,395	13,023	-	-	8	8,049
Third Party	-	-	-	-	-	-	-	-	-	-
Miscellaneous	16	6	22	16	13,343	8,175	-	-	6	7,185
Total	**48**	**19**	**67**	**43**	**$ 39,841**	**$ 27,393**	**1**	**$ 3,837**	**23**	**$ 36,134**

For the Quarter Ending June 30, 2010

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	1	1	2	-	$ -	$ -	-	$ -	2	$ 1,700
Power Interruptions	-	2	2	2	959	959	-	-	-	-
Improper Workmanship	8	7	15	10	11,774	4,292	-	-	5	9,250
Weather Related	-	1	1	-	-	-	-	-	1	5,000
Equipment Failure	20	9	29	15	25,458	19,406	-	-	14	18,450
Third Party	-	2	2	1	630	630	-	-	1	500
Miscellaneous	13	3	16	12	4,873	4,321	-	-	4	2,150
Total	**42**	**25**	**67**	**40**	**$ 43,694**	**$ 29,608**	**-**	**$ -**	**27**	**$ 37,050**

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Region

For the Quarter Ending June 30, 2011

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
St. John's Region	16	11	27	12	$ 9,130	$ 4,409	1	$ 3,837	14	$ 21,834
Eastern Region[1]	11	3	14	11	5,575	4,592	-	-	3	5,200
Western Region[2]	21	5	26	20	25,136	18,392	-	-	6	9,100
Total	**48**	**19**	**67**	**43**	**$ 39,841**	**$ 27,393**	**1**	**$ 3,837**	**23**	**$ 36,134**

For the Quarter Ending June 30, 2010

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
St. John's Region	11	10	21	8	$ 16,753	$ 15,993	-	$ -	13	$ 19,100
Eastern Region[1]	13	10	23	17	18,465	6,964	-	-	6	9,200
Western Region[2]	18	5	23	15	8,476	6,651	-	-	8	8,750
Total	**42**	**25**	**67**	**40**	**$ 43,694**	**$ 29,608**	**-**	**$ -**	**27**	**$ 37,050**

[1] Eastern Region includes Avalon, Burin and Clarenville operating areas

[2] Western Region includes Gander, Grand Falls - Windsor, Corner Brook and Stephenville operating areas

Definitions of Causes of Damage Claims

1. **System Operations:** Claims arising from system operations. Examples include normal reclosing or switching.

2. **Power Interruptions:** Claims arising from interruption of power supply. Examples include all scheduled or unscheduled interruptions.

3. **Improper Workmanship:** Claims arising from failure of electrical equipment caused by improper workmanship or methods. Examples include improper crimping of connections, insufficient sealing and taping of connections, improper maintenance, inadequate clearance, or improper operation of equipment.

4. **Weather Related:** Claims arising from weather conditions. Examples include wind, rain, ice, lightning, or corrosion caused by weather.

5. **Equipment Failure:** Claims arising from failure of electrical equipment not caused by improper workmanship. Examples include broken neutrals, broken tie wires, transformer failure, insulator failure or broken service wire.

6. **Third Party:** Claims arising from equipment failure caused by acts of third parties. Examples include motor vehicle accidents and vandalism.

7. **Miscellaneous:** All claims not related to electrical service.

NEWFOUNDLAND POWER INC.

CONTRIBUTION IN AID OF CONSTRUCTION
QUARTERLY ACTIVITY REPORT

For the Period Ended June 30, 2011

The table below summarizes Contribution In Aid of Construction (CIAC) activity for the second quarter of 2011. The table is divided into three sections. The first section identifies the type of service for which a CIAC has been calculated. Services are categorized as Domestic (located within a Residential Planning Area), Domestic (located outside a Residential Planning Area) or General Service.

The second section indicates the number of CIACs quoted during the quarter as well as the number of CIAC quotes that remained outstanding at the end of the previous quarter. This format facilitates a reconciliation of the total number of CIACs that were active during the quarter.

The third section provides information as to the disposition of the total CIACs quoted. A CIAC is considered Accepted when a customer indicates they wish to proceed with construction of the extension and has agreed to pay any charge that may be applicable. A CIAC is considered Outdated after six months has elapsed and the customer has not indicated their intention to proceed with the extension. A quoted CIAC is Outstanding if it is neither Accepted nor Outdated.

Type of Service	CIACs Quoted	CIACs Outstanding Previous Qtr.	Total CIACs Quoted	CIACs Accepted	CIACs Outdated	Total CIACs Outstanding
Domestic						
- Within Planning Area	28	6	34	13	3	18
- Outside Planning Area	79	31	110	45	7	58
	107	37	144	58	10	76
General Service	14	11	25	7	4	14
Total	121	48	169	65	14	90

The table on pages 2 to 4 of the report provides specific information for the 121 CIACs quoted to customers during the period April 1, 2011 to June 30, 2011. Both the CIAC amounts quoted and the Estimated Construction Costs exclude HST.

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Second Quarter 2011

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (within Residential Planning Area)				
6-Apr-11	2011-40-110	11,750.00	14,300.00	
7-Apr-11	2011-20-117	980.00	3,830.00	Yes
11-Apr-11	2011-20-120	2,592.00	5,442.00	Yes
13-Apr-11	2011-20-121	500.00	3,622.50	Yes
3-May-11	2011-20-136	3,650.00	6,200.00	Yes
6-May-11	2011-20-137	1,339.00	3,805.00	Yes
11-May-11	2011-41-108	3,419.00	5,969.00	
17-May-11	2011-41-109	915.00	4,090.00	Yes
19-May-11	2011-50-108	200.00	3,230.00	
19-May-11	2011-51-111	7,600.00	10,150.00	
31-May-11	2011-20-154	1,020.00	3,570.00	Yes
31-May-11	2011-51-107	7,520.00	15,170.00	Yes
1-Jun-11	2011-10-124	1,590.00	4,740.00	Yes
1-Jun-11	2011-10-125	480.00	3,030.00	
1-Jun-11	2011-51-106	3,800.00	6,350.00	
3-Jun-11	2011-31-102	960.00	3,510.00	Yes
8-Jun-11	2011-20-158	2,390.00	4,940.00	
10-Jun-11	2011-20-166	2,880.00	5,430.00	
10-Jun-11	2011-20-167	505.00	3,055.00	
10-Jun-11	2011-20-168	1,705.00	4,255.00	
14-Jun-11	2011-10-130	3,720.00	6,270.00	
16-Jun-11	2011-50-116	1,220.00	3,770.00	
18-Jun-11	2011-10-127	2,970.00	5,970.00	
18-Jun-11	2011-10-131	3,630.00	6,180.00	
23-Jun-11	2011-10-133	10,850.00	13,400.00	
24-Jun-11	2011-10-132	7,619.00	10,169.00	
24-Jun-11	2011-10-134	270.00	3,060.00	
28-Jun-11	2011-51-119	2,990.00	5,840.00	
DOMESTIC (outside Residential Planning Area)				
7-Apr-11	2011-20-114	2,595.10	3,345.10	Yes
7-Apr-11	2011-20-116	2,207.42	2,957.42	Yes
8-Apr-11	2011-31-101	151,378.00	166,078.00	
11-Apr-11	2011-40-111	26,250.00	28,800.00	
13-Apr-11	2011-20-123	2,595.10	3,345.10	Yes
20-Apr-11	2011-20-124	3,014.30	3,764.30	Yes
25-Apr-11	2011-20-122	1,740.00	2,490.00	Yes
25-Apr-11	2011-20-125	1,260.00	2,010.00	Yes
27-Apr-11	2011-20-127	2,207.42	2,957.42	Yes
27-Apr-11	2011-20-128	2,207.42	2,957.42	Yes
28-Apr-11	2011-51-109	1,725.00	2,475.00	Yes

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Second Quarter 2011

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (outside Residential Planning Area)				
2-May-11	2011-20-129	3,014.30	3,764.30	Yes
2-May-11	2011-20-130	2,426.00	3,176.00	Yes
2-May-11	2011-20-131	3,014.30	3,764.30	
2-May-11	2011-20-132	2,595.10	3,345.10	Yes
3-May-11	2011-20-133	2,207.42	2,957.42	Yes
3-May-11	2011-20-134	2,207.42	2,957.42	Yes
5-May-11	2011-50-105	2,961.54	3,711.54	
5-May-11	2011-50-106	2,961.54	3,711.54	
10-May-11	2011-20-138	8,440.00	9,190.00	
12-May-11	2011-20-139	6,728.75	7,478.75	Yes
17-May-11	2011-41-110	8,436.53	9,186.53	
19-May-11	2011-20-142	2,207.42	2,957.42	
19-May-11	2011-20-143	2,595.10	3,345.10	Yes
19-May-11	2011-20-144	3,014.30	3,764.30	Yes
19-May-11	2011-20-145	5,514.20	6,264.20	
19-May-11	2011-20-146	3,014.30	3,764.30	Yes
24-May-11	2011-10-121	2,108.83	2,858.83	
25-May-11	2011-10-123	44,480.00	64,580.00	
25-May-11	2011-50-110	3,980.00	4,730.00	
25-May-11	2011-50-111	1,440.00	2,190.00	Yes
27-May-11	2011-10-108	3,000.00	3,750.00	Yes
27-May-11	2010-10-126	2,108.83	2,858.83	
27-May-11	2011-20-148	3,773.21	4,523.21	
27-May-11	2011-20-149	2,207.42	2,957.20	Yes
27-May-11	2011-20-150	2,595.10	3,345.10	
27-May-11	2011-20-151	3,157.00	3,907.00	
27-May-11	2011-30-106	4,331.29	5,081.29	
27-May-11	2011-30-107	4,331.29	5,081.29	Yes
27-May-11	2011-30-108	4,331.29	5,081.29	Yes
31-May-11	2011-20-147	867.92	1,617.92	
31-May-11	2011-20-152	5,300.00	6,050.00	Yes
31-May-11	2011-20-153	510.00	1,560.00	
2-Jun-11	2011-20-155	2,207.42	2,957.42	
2-Jun-11	2011-20-156	3,014.30	3,764.30	
2-Jun-11	2011-20-157	3,545.06	4,295.06	
2-Jun-11	2011-51-112	1,725.00	2,475.00	
3-Jun-11	2011-20-159	2,430.00	7,530.00	
6-Jun-11	2011-51-113	2,610.00	3,360.00	
6-Jun-11	2011-51-114	1,725.00	2,475.00	Yes
8-Jun-11	2011-20-160	5,514.20	6,264.20	
8-Jun-11	2011-20-161	810.00	1,560.00	
8-Jun-11	2011-20-162	3,014.30	3,764.30	Yes

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Second Quarter 2011

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (outside Residential Planning Area)				
8-Jun-11	2011-20-163	3,773.21	4,523.21	
8-Jun-11	2011-20-164	3,014.30	3,764.30	
8-Jun-11	2011-30-101	4,331.29	5,081.29	Yes
8-Jun-11	2011-30-102	4,331.29	5,081.29	
8-Jun-11	2011-30-110	4,331.29	5,081.29	Yes
9-Jun-11	2011-51-115	1,421.01	2,171.01	Yes
13-Jun-11	2011-50-115	2,961.54	3,711.54	
15-Jun-11	2011-20-165	450.00	1,200.00	
15-Jun-11	2011-41-111	59,142.00	67,392.00	
16-Jun-11	2011-50-103	3,440.00	4,190.00	
16-Jun-11	2011-50-117	13,162.00	16,162.00	
16-Jun-11	2011-50-118	2,310.00	3,060.00	Yes
16-Jun-11	2011-51-116	2,370.21	3,120.21	
17-Jun-11	2011-30-109	4,331.29	5,081.29	
17-Jun-11	2011-30-112	21,050.00	24,050.00	
17-Jun-11	2011-31-103	9,116.68	11,066.68	
17-Jun-11	2011-41-112	5,435.86	6,185.86	Yes
21-Jun-11	2011-10-135	600.00	1,350.00	Yes
22-Jun-11	2011-20-115	14,820.00	15,270.00	
24-Jun-11	2011-20-169	2,595.10	3,345.10	
28-Jun-11	2011-20-170	1,035.00	1,785.00	
28-Jun-11	2011-20-171	3,014.30	3,764.30	
28-Jun-11	2011-51-117	2,370.00	3,420.00	
29-Jun-11	2011-40-117	3,511.68	4,261.68	
30-Jun-11	2011-20-172	2,207.42	2,957.42	
30-Jun-11	2011-20-173	2,207.42	2,957.42	
GENERAL SERVICE				
15-Apr-11	2011-41-107	575,360.00	582,285.00	
25-Apr-11	2011-40-112	4,318.00	11,640.00	
28-Apr-11	2011-51-108	5,208.08	8,213.08	Yes
2-May-11	2011-20-126	15,650.00	18,200.00	
3-May-11	2011-20-135	7,020.00	17,820.00	Yes
13-May-11	2011-51-110	6,970.00	9,520.00	
3-Jun-11	2011-50-112	3,505.00	20,455.00	Yes
15-Jun-11	2011-10-129	4,535.00	10,965.00	
16-Jun-11	2011-50-114	12,253.00	21,905.00	
18-Jun-11	2011-10-128	1,500.00	3,150.00	
22-Jun-11	2011-20-140	45,190.00	47,740.00	
22-Jun-11	2011-30-100	32,876.20	43,392.20	
22-Jun-11	2011-30-111	3,920.00	9,535.00	
24-Jun-11	2011-40-115	2,600.00	9,480.00	

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
P.O. Box 8910
St. John's, NL A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

November 10, 2011

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

Enclosed are eleven copies of Newfoundland Power Inc.'s Quarterly Regulatory Report for the quarter ending September 30, 2011.

The report is divided into five sections: Quarterly Summary; Capital Expenditure Progress; Inter-Company Transactions; Customer Property Damage Claims; and Contribution In Aid of Construction Activity.

If you have any questions on the enclosed, please contact the undersigned at the direct number noted below.

Yours very truly,

Gerard M. Hayes
Senior Counsel

Enclosures

c. Geoffrey P. Young
Newfoundland & Labrador Hydro

Quarterly Regulatory Report

For The Period Ended

September 30, 2011

NEWFOUNDLAND POWER
A FORTIS COMPANY

QUARTERLY REGULATORY REPORT

FOR THE PERIOD ENDED

September 30, 2011

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1. Highlights

Highlights	3rd Quarter			Annual
	Actual 2011	Plan 2011	Actual 2010	Plan 2011
Injury Frequency Rate [1]	1.5	1.7	2.2	1.7
Customer Satisfaction (%)	89	89	89	89
Customer Minutes of Outage [2]	8.2	8.1	126.2	36.9
Electricity Delivery [3]				
Electricity Sales (GWh)	923.7	915.3	915.4	5,480.0
Peak Demand (MW) [4]	1,252.5	1,283.9	1,237.6	1,283.9
Revenue ($millions)	101.2	98.0	99.0	560.1
Earnings ($millions) [5]	8.0	7.5	7.6	32.0

- 2 medical aid incidents recorded in the 3rd quarter.
- 3rd quarter customer satisfaction was 89%.
- 3rd quarter customer minutes of outage were slightly higher than plan.
- Electricity sales and revenue were higher than plan.
- 3rd quarter earnings were above plan.

1 Injuries per 200,000 hours worked.
2 In millions of minutes, excluding Hydro related interruptions. The 2010 results were impacted by Hurricane Igor.
3 Weather adjusted.
4 Peak demand for the 2010/2011 winter period occurred on February 2nd, 2011 at 5:45 p.m.
5 Earnings applicable to common shares.

2. Customer Service

Customer Service Performance (%)	Year to Date				Annual
	Actual 2011	Plan 2011	Actual 2010		Plan 2011
Customer Satisfaction	89	89	89		89
First Call Resolution [1]	88	89	88		89
Service Level [2]	79	80	75		80
Trouble Call Response [3]	82	85	49		85

[1] % of customer calls resolved on first contact.
[2] % of customer calls answered within 60 seconds.
[3] % of trouble call response within two hours. The 2010 results were impacted by Hurricane Igor.

Customer Service Performance

3rd quarter customer satisfaction remains consistent with plan. First call resolution for the 3rd quarter, although below plan, is consistent with prior years for the same quarter. Newly trained summer hires combined with higher seasonal call volume contribute to the lower result. Service level for the 3rd quarter remains consistent with the 2nd quarter result.

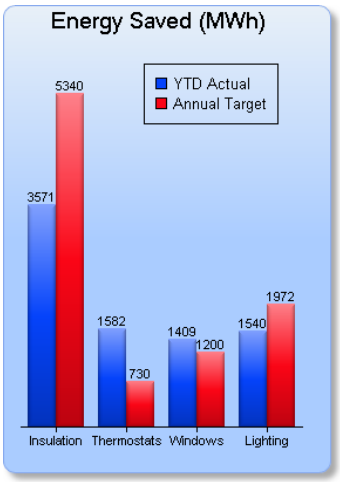
Customer Service Improvements

The Company is piloting an initiative that uses contact centre phone technology to reassign agents on an as-needed basis to answer incoming customer calls. When not required for incoming calls, agents continue to work on other off-phone customer related work, such as email responses.

A total of 11 meter reading routes have been eliminated in the Paradise, Conception Bay South and St. Mary's Bay areas as a result of the installation of Automatic Meter Reading (AMR) meters. The installation of AMR makes the monthly meter reading process more efficient and enables the utilization of Meter Readers for other work such as meter change outs.

The Company continues to promote customers' use of ebills. Approximately 2,000 customers signed up in the 3rd quarter, for a total of 44,000 participants or 18% of all customers.

Energy Conservation



During the 3rd quarter, 671 Newfoundland Power customers participated in one or more of the takeCHARGE Energy Saver programs, bringing the total for the year to 2,348. Energy savings from these participants represent approximately 85% of the Company's energy savings target for 2011.

The takeCHARGE team was busy with customer outreach in the quarter. Some of the events included the *East meets West meets North Expo* in Placentia and Corner Brook, the *17th Annual Trade and Craft Show* in Lewisporte and presentations to various groups such as realtors and employees of Kent Building Supplies.

takeCHARGE Battle of the Energy Saver$ Contest

In the 3rd quarter, the Company launched the takeCHARGE "Battle of the Energy Saver$" contest on Facebook. The takeCHARGE fan page received an additional 500 "likes", bringing the total number to approximately 1,700. To enhance employee engagement and promote social media awareness, an employee contest similar to the Facebook contest for customers was also launched.

takeCHARGE also participated in the Building Owners and Managers Association's national conference in St. John's in September. Over 350 delegates attended the 3 day conference, and enjoyed educational sessions focusing on energy management.

3. System Performance

A. Reliability

System Reliability [1]	Year to Date			Annual
	Actual 2011	Plan 2011	Actual [2] 2010	Plan 2011
Customer Minutes of Outage [3]	30.2	25.3	182.0	36.9
SAIDI (Outage hours per customer)	2.13	1.79	13.03	2.60
SAIFI (Outages per customer)	1.35	1.34	2.23	1.95

[1] Excludes Hydro-related interruptions.
[2] 2010 system reliability statistics excluding Hurricane Igor and the March Ice Storm are:
- Customer Minutes of Outage 24.3
- SAIDI 1.80
- SAIFI 1.06

[3] In millions of minutes.

The total number of outages during the 3rd quarter was below plan. However, the number of customer minutes of outage to date was higher than plan due to several large unplanned outages.

The significant unplanned power interruptions during the 3rd quarter included:

- July 10th: High winds and fallen trees caused an outage to 1,706 customers in the Cromer Avenue area of Grand Falls – Windsor and resulted in 300,622 customer minutes of outage.
- July 19th: Difficulties restoring service following a scheduled substation outage caused an extended outage to 1,630 customers in the Codroy Valley and resulted in 298,698 customer minutes of outage.
- July 28th: Vandals broke into the Bishop's Falls substation and tripped four transmission line breakers, causing an outage to 5,100 customers in and around Bishop's Falls and Botwood and resulting in 380,856 customer minutes of outage.
- Sept 29th: Vandals broke into the Botwood substation and stole ground wire attached to high voltage equipment, causing an outage to 3,460 customers in and around Botwood and resulting in 355,662 customer minutes of outage.

B. Electricity Supply

Electricity Supply	3rd Quarter			Annual
	Actual 2011	Plan 2011	Actual 2010	Plan 2011
Energy Purchased (GWh) [1]	907.8	882.4	884.6	5,375.6
Peak Demand (MW) [1, 2]	1,252.5	1,283.9	1,237.6	1,283.9
Hydro Plant Production (GWh)	64.6	81.0	77.7	429.7
Plant Availability (%)	88.5	96.5	93.7	96.5

[1] Weather adjusted.
[2] Peak demand for the 2010/2011 winter period occurred on February 2nd, 2011 at 5:45 p.m.

Energy purchased during the 3rd quarter was 25.4 GWh higher than plan due to higher than expected electricity sales and a change in the Company's hydro plant production normal for the quarter related to a 2010 review of hydrology.

During the 3rd quarter, hydro plant production was 13.1 GWh lower than the same period in 2010. The lower production in the 3rd quarter primarily reflects lower water inflows of 47.5 GWh, compared to 75.2 GWh in 2010.

Hydro plant availability was 88.5% in the 3rd quarter compared to a plan of 96.5%. The reduced plant availability is mainly attributable to maintenance work at Horsechops plant and the rebuilding of the Port Union plant that was damaged in Hurricane Igor.

Horsechops Plant Maintenance

There were 35 forced outages in the 3rd quarter compared to the 58 experienced in the 3rd quarter of 2010.

4. Financial Matters

Financial Highlights	3rd Quarter			Annual
	Actual 2011	Plan 2011	Actual 2010	Plan 2011
Electricity Sales (GWh)	923.7	915.3	915.4	5,480.0
Revenue ($millions)	101.2	98.0	99.0	560.1
Purchased Power Costs ($millions)	52.8	50.4	50.4	364.2
Operating Costs ($millions) [1]	12.4	12.6	14.1	53.3
Operating Cost per Customer ($)	52	53	60	225
Earnings ($millions) [2]	8.0	7.5	7.6	32.0

[1] Excluding pension, OPEBs, and early retirement program costs.
[2] Earnings applicable to common shares.

Financial Results

In the 3rd quarter of 2011, electricity sales increased by 8.3 GWh or 0.9% over the same quarter last year. During this period, residential energy sales increased due to an increase in the number of customers. Commercial energy sales also increased, largely due to the construction of the hydromet nickel processing plant in Long Harbour and a rebound in the retail sector. An early end to the crab fishery and the closure of the OCI plant in Marystown partially offset this growth. Revenue and purchased power costs for the 3rd quarter of 2011 were higher than plan, primarily as a result of higher than expected sales.

Operating costs for the 3rd quarter were consistent with plan. In 2010, 3rd quarter operating costs were higher due to Hurricane Igor. Excluding the impact of Hurricane Igor, 3rd quarter 2011 operating expenses were $0.2 million higher than 2010, primarily due to wage and inflationary increases.

Earnings for the 3rd quarter were higher than plan primarily due to increases in other revenue related to the support structure arrangements with Bell Aliant and a lower effective tax rate.

Joint Use Support Structure Agreement

On September 28th, 2011, the Board of Commissioners of Public Utilities (PUB) issued an order approving the sale of 40% of the Company's joint use support structures to Bell Aliant. On October 5th, 2011, proceeds in the amount of $45.7 million were received from Bell Aliant. The purchase price is subject to adjustment upon completion of a pole survey later this year. The Company also recovered its financing costs on the assets held for sale of approximately $3.3 million up to October 5th, 2011. The Company utilized the proceeds from this transaction to pay down its short-term debt, and on October 7th, 2011 paid a special dividend to Fortis of $29.9 million in order to maintain its capital structure of 45 per cent common equity. Newfoundland Power continues to provide construction and maintenance services for Bell Aliant's support structures.

Financial Reporting Standards

The Company has decided to adopt US GAAP for financial reporting purposes effective January 1st, 2012. The adoption of US GAAP will result in fewer significant changes in the Company's accounting policies as compared to the adoption of International Financial Reporting Standards (IFRS).

In the 3rd quarter, an amendment to the *Corporations Act* (Newfoundland and Labrador) was enacted to permit the adoption of US GAAP by Newfoundland and Labrador corporations for financial reporting purposes. This effectively eliminated the final impediment to Newfoundland Power's adoption of US GAAP for financial reporting purposes.

Customer Rates

During the 3rd quarter, both the Optional Seasonal Rate and the Provincial Government energy tax rebate were implemented. Metering installations and customer visits are currently underway in preparation for the implementation of the Time of Day Rate pilot project on December 1st, 2011.

Capital Plan

On July 8th, 2011, the Company filed an application with the PUB requesting approval for its 2012 capital expenditure plan totaling $77.3 million. The application is currently under review by the PUB.

Cost Recovery Deferral

On September 16th, 2011, the Company filed an application with the PUB requesting the deferred recovery of costs in 2012 of $2.4 million due to effect of certain expired regulatory amortizations. The application was approved by the PUB on October 27th, 2011.

Labour Relations

The Company's two collective bargaining agreements with its unionized workforce expired on September 30th, 2011. Negotiations to renew the collective bargaining agreements began in October 2011. Approximately 54% of the Company's employees are represented by the International Brotherhood of Electrical Workers labour union.

Workforce Management

The Company has experienced an increase in human resource activity to the end of the 3rd quarter. There have been 20 retirements so far this year. This trend is expected to continue as the Company is projecting 192 retirements in the next six years, representing 30% of the workforce. In addition, there have been 16 resignations to date. This is higher than the Company has experienced in recent years, and is another trend which is expected to continue.

Recruitment activity has been higher, largely as a result of retirements and resignations. Excluding co-op students, the Company has hired 49 employees to date in 2011.

5. Capital Program

Capital Expenditures	Year to Date			Annual
	Actual 2011	Plan 2011	Actual 2010	Plan [1] 2011
Total ($000s)	52,385	54,589	52,471	76,474

[1] Plan excludes the $750,000 allowance for unforeseen items. Plan includes carryover of $1.4 million for Transmission projects and $0.9 million for Substation projects. The carryovers were necessary due to additional storm related work undertaken in 2010. Plan includes $1.8 million for Generation projects related to the refurbishment of Port Union and Lawn plants approved in Order No. P. U. 11 (2011). These plants were damaged in Hurricane Igor. The Plan also includes $125,000 for an Information Systems project related to the implementation of the Optional Seasonal Rate.

2011 Capital Expenditure

Capital expenditures were lower than plan by the end of the 3rd quarter primarily due to the timing of contractor invoicing for transmission and energy supply projects. There is normally a lag between the time work is completed and contractor invoices are approved.

Rattling Brook piano key spillway

Construction is underway or completed for most large capital projects. Capital project activity during the 3rd quarter included:

- Replacement of the Rattling Brook Spillway is substantially complete. The 105m long stoplog spillway has been replaced with a high efficiency piano key spillway. This type of spillway is new to Newfoundland Power. The project will result in improved employee safety, reduced operating costs, and improved flood handling capability.

- The rebuild of transmission lines 23L and 24L on the Southern Shore is complete. Construction is ongoing on the rebuild of transmission lines 16L (Pepperell to King's Bridge) and 25L (Goulds to St. John's Main).

- The project to replace the power transformer at Pulpit Rock substation is complete with the transformer energized. The project to replace the power transformer at Kelligrews substation is ongoing. Both transformers are required to address customer growth on the Northeast Avalon Peninsula.

- The project to increase the height of the Sandy Lake spillway is ongoing, with work scheduled to be completed in November.

6. Safety

Safety Performance	Year to Date			Annual
	Actual 2011	Plan 2011	Actual 2010	Plan 2011
Injury Frequency Rate [1]	2.4	1.7	2.1	1.7

[1] Injuries per 200,000 hours worked.

Safety Performance

There were two medical aid injuries recorded during the 3rd quarter. One injury was due to a foreign particle entering an employee's eye; the other involved a shoulder injury sustained by an employee while patrolling a line on an all-terrain vehicle. Newfoundland Power's injury rate is trending above plan for 2011 due to slip and fall injuries that occurred in the 1st quarter.

There were no recordable vehicle accidents again this quarter. This compares to six recordable vehicle accidents for the 3rd quarter of 2010.

Safety Initiatives

During the quarter, the Company continued its initiative to ensure consistency across all local operating areas in safety procedures and culture in line operations. In the 3rd quarter, the project team was in the field observing and providing feedback to work crews and supervisors, and observing safety meetings. The project team will be documenting specific action plans for each local operating area by year end.

OH&S Regulation

The Company received approval from Government Services, Occupational Health and Safety Division (OHSD) to adopt the City of St. John's Traffic Control Manual as the basis for its traffic control procedures.

Safety Training

As of the end of September, the Company has completed 90% of the total safety training requirement for 2011. This is in comparison to approximately 70% for the same period in 2010.

During the 3rd quarter, the Company gave a presentation with respect to safety hazards and barriers to telecommunication companies who access our support structures on a regular basis. In addition, the Company trained a Rogers Communications employee to assist in training Rogers' technical staff.

Mobile Documentation

During the 3rd quarter, the Company completed installation of mobile computing devices in its operations vehicles. These devices will ensure employees have access to the most current operational safety procedures and other required reference documents.

Public Safety

During the quarter, there were twelve public safety incidents. This is an increase from the 2nd quarter, when there were eight incidents. Six of the incidents in the 3rd quarter were low voltage contacts. Five involved trucks or other heavy equipment contacting service wires; one involved a child receiving a minor shock while playing near a streetlight pole. The remaining six incidents were high voltage contacts. Two involved excavators making contact with power distribution lines. The other four involved individuals felling trees into power lines.

In the 3rd quarter, the Company launched three new television ads focused on public electrical safety.

On September 7th, the Company experienced a fault at one of the oil-filled switches that forms part of the underground electrical distribution system serving the downtown St. John's area. The fault caused the switch to blow apart, sending oil and debris up through the manhole and onto Water Street. A vehicle that was passing close to the manhole cover received some minor damage. There were no injuries to individuals. The switch in question was approximately 25 years old and was scheduled for removal as part of the Company's 5-year capital program.

7. Environment

Environment Performance[1]	Year to Date			Annual
	Actual 2011	Plan 2011	Actual 2010	Plan 2011
Number of Spills	58	48	66	65
Reportable PCB Spills [2]	2	2	1	2
Volume of Oil Spills (Litres)	594	540	1,258	725

[1] Excludes all third party spills over which the Company has no control. The total number of third party spills excluded in 2011 is 5 and the volume has been reduced by 214 litres. The actual 2010 figure excludes 2 spills and 44 litres as a result of third party spills.

[2] PCB spills must be reported if any of the following conditions exist:
- All oil spills in water regardless of PCB concentration or volume.
- All PCB spills that exceed the one gram rule.
- All oil spills of equipment in storage / inventory (not in use) that exceed a concentration of 2 ppm PCBs regardless of quantity.

Environment Performance

The number of spills and volume to date has decreased compared to the same period in 2010. The reduction is due to the ice storm in March 2010 and Hurricane Igor in September 2010, which in total accounted for 13 spills and a volume of 817 litres.

Audit Activity

A joint audit of the Company's Environmental Management and Health & Safety Management Systems began on September 26th and concluded on October 7th, 2011. The audit confirmed that the Company remains compliant with the ISO 14001 and OHSAS 18001 international standards.

Training

In the 3nd quarter, environmental training was provided to 66 Company employees and 139 contractor employees performing work on behalf of the Company, bringing the total participation to date to 140 and 266, respectively. This training reinforced the importance of employees and contractors performing their duties in an environmentally responsible manner.

8. Community

The Power of Life Project

The new *Power of Life* logo was launched in September. The new logo is the first step in a marketing campaign which will be unveiled to employees in the 4th quarter.

New Power of Life Logo

Clarenville Golf Tournament

The 7th Annual Clarenville Golf Tournament was held on September 10th. The $11,000 raised during the event was donated to *The Power of Life*.

Corner Brook area employees hosted a Fall yard sale at the office on September 24th, raising over $1,100 for the Corner Brook Cancer Centre.

The Power of Life Project, through the generous support of our employees and customers, donated $5,000 to Camp Delight, a major project of the Candlelighters Association of Newfoundland and Labrador. Camp Delight is an 8-day annual camp that hosts young people who have been affected by cancer. Carbonear area employees have supported Camp Delight for the past 16 years through the generous donation of backpacks that are filled with goodies and enjoyed by the children.

National Tree Day

The Company partnered with the City of St. John's and Tree Canada to kick-off the first National Tree Day on Wednesday, September 21st in Bowring Park. Children from St. Mary's School, along with the Mayor of the City of St. John's, planted a tree in the same spot where a tree was uprooted during Hurricane Igor in 2010. There were presentations/demonstrations throughout the day by contractors involved in the tree care industry.

National Tree Day Ceremony

FINANCIAL STATEMENTS

NEWFOUNDLAND POWER INC.
BALANCE SHEETS
As At September 30
($000s)

	2011	2010 [1]
Capital Assets		
Property plant and equipment	1,254,701	1,271,520
Less: accumulated amortization	455,082	460,948
	799,619	810,572
Current Assets		
Cash	4,138	2,431
Accounts receivable	50,247	42,050
Materials and supplies	1,211	979
Prepaid expenses	2,092	1,824
Regulatory assets	14,921	5,049
Assets held for sale	44,698	-
	117,307	52,333
Accrued Pension	95,297	98,153
Regulatory Assets	181,991	180,501
Intangible Assets, net of amortization	14,959	15,249
Other Assets	1,550	1,610
Total Assets	**1,210,723**	**1,158,418**
Shareholders' Equity		
Common shares	70,321	70,321
Retained earnings	340,674	324,882
Common shareholder's equity	410,995	395,203
Preference shares	9,081	9,111
	420,076	404,314
Current Liabilities		
Accounts payable and accrued charges	51,593	45,895
Income tax payable	2,522	651
Current instalments of long-term debt	5,200	5,200
Future income taxes	3,044	187
Regulatory liabilities	771	1,668
	63,130	53,601
Future Income Taxes	124,113	123,546
Long-term Debt	480,380	468,410
Other Post Employment Benefits	55,203	50,951
Other Liabilities	4,343	4,073
Regulatory Liabilities	63,478	53,523
Total Shareholders' Equity and Liabilities	**1,210,723**	**1,158,418**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS
For The Periods Ended September 30
($000s)

	THIRD QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2011	Plan 2011	Actual [1] 2010	Actual 2011	Plan 2011	Actual [1] 2010	Plan 2011	Actual 2010
Revenue	101,207	97,974	99,000	416,671	404,972	403,473	560,104	554,950
Purchased Power	52,789	50,405	50,356	266,391	259,645	256,160	364,181	358,443
Contribution	48,418	47,569	48,644	150,280	145,327	147,313	195,923	196,507
Operating Expenses	12,403	12,632	14,118	40,438	39,486	40,566	53,291	54,623
Employee Future Benefits	5,133	4,583	2,136	15,426	13,787	6,258	18,407	7,588
Amortization	10,858	10,852	11,038	31,579	31,775	32,213	42,963	43,358
Cost Recovery Deferral	(590)	(600)	-	(1,772)	(1,800)	-	(2,400)	-
Amortization True-Up Deferral	-	-	965	-	-	2,896	-	3,862
Finance Charges	8,844	8,777	8,916	26,904	27,131	26,885	35,705	35,633
Earnings Before Income Taxes	11,770	11,325	11,471	37,705	34,948	38,495	47,957	51,443
Income Taxes	3,595	3,639	3,717	11,617	11,231	12,284	15,413	15,870
Net Earnings	8,175	7,686	7,754	26,088	23,717	26,211	32,544	35,573
Dividends on Preference Shares	141	142	142	425	426	426	568	568
Earnings Applicable to Common Shares	**8,034**	**7,544**	**7,612**	**25,663**	**23,291**	**25,785**	**31,976**	**35,005**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF RETAINED EARNINGS
For The Periods Ended September 30
($000s)

	2011	2010
Balance, Beginning of the Period	330,181	310,864
Net Earnings	26,088	26,211
Dividends		
Preference Shares	(425)	(426)
Common Shares	(15,170)	(11,767)
Balance, End of the Period	**340,674**	**324,882**

NEWFOUNDLAND POWER INC.
STATEMENTS OF CASHFLOWS
For The Periods Ended September 30
($000s)

	2011	2010 [1]
Operating Activities		
Net earnings	26,088	26,211
Items not affecting cash:		
Amortization of property, plant and equipment	29,610	30,085
Amortization of intangibles and other	2,197	2,317
Change in regulatory assets and liabilities	2,836	4,872
Future income taxes	(3,218)	(699)
Employee future benefits	5,276	(250)
Change in non-cash working capital	(4,033)	7,023
	58,756	69,559
Investing Activities		
Capital expenditures (net of salvage)	(53,482)	(55,126)
Intangible asset expenditures	(1,618)	(1,264)
Contributions from customers	2,042	1,857
Other	13	90
	(53,045)	(54,443)
Financing Activities		
Net credit facilities borrowings (repayments)	10,000	(5,500)
Proceeds from related party loan	25,000	-
Repayment of related party loan	(25,000)	
Payment of debt financing costs	(130)	(300)
Redemption of preference shares	(30)	-
Dividends		
Preference shares	(425)	(426)
Common shares	(15,170)	(11,767)
	(5,755)	(17,993)
Decrease in Cash	(44)	(2,877)
Cash, Beginning of the Period	4,182	5,308
Cash, End of the Period	**4,138**	**2,431**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

APPENDICES

NEWFOUNDLAND POWER INC.
ELECTRICITY STATISTICS
For The Periods Ended September 30

	THIRD QUARTER		YEAR TO DATE		ANNUAL
	2011	2010	2011	2010	2010
Sales (GWh)					
Actual	918.0	898.6	3,962.6	3,792.3	5,176.6
Weather adjusted	923.7	915.4	4,026.2	3,930.8	5,419.0
Plan[1]	915.3		3,960.5		
Produced & Purchased (GWh)					
Actual	966.4	946.0	4,197.4	4,017.1	5,476.6
Weather adjusted	972.4	963.6	4,264.6	4,163.4	5,732.9
Plan[1]	963.4		4,195.2		
Hydro Production (GWh)					
Actual	64.6	77.7	360.7	340.3	462.2

[1] Based on Customer, Energy and Demand Forecast dated March 5, 2010.

NEWFOUNDLAND POWER INC.
STATEMENTS OF ELECTRICITY SOLD (GWh)
For The Periods Ended September 30

WEATHER ADJUSTED

	THIRD QUARTER			YEAR TO DATE			ANNUAL	
BY SALES CATEGORY	**Actual 2011**	**Plan [1] 2011**	**Actual 2010**	**Actual 2011**	**Plan [1] 2011**	**Actual 2010**	**Plan [1] 2011**	**Actual 2010**
Residential								
Residential	479.8	469.8	475.8	2,435.0	2,382.5	2,373.9	3,343.7	3,311.2
Residential - Seasonal	4.0	-	-	4.0	-	-	-	-
Total Residential	483.8	469.8	475.8	2,439.0	2,382.5	2,373.9	3,343.7	3,311.2
Commercial								
0-10 kW	18.1	17.3	18.1	69.2	66.6	68.4	90.7	92.5
10-100 kW	124.6	123.7	124.2	490.2	482.2	479.3	654.7	649.3
110-1000 kVA	187.2	188.7	183.0	685.5	679.6	666.9	923.7	910.6
1000 kVA and Over	101.9	108.0	106.6	317.1	325.0	317.5	431.5	419.2
Total Commercial	431.8	437.7	431.9	1,562.0	1,553.4	1,532.1	2,100.6	2,071.6
Street Lighting	8.1	7.8	7.7	25.2	24.6	24.8	35.7	36.2
Total Sales	**923.7**	**915.3**	**915.4**	**4,026.2**	**3,960.5**	**3,930.8**	**5,480.0**	**5,419.0**
BY REGION								
St. John's	450.4	441.9	443.4	1,980.7	1,946.8	1,938.4	2,698.2	2,670.3
Eastern [2]	198.1	197.5	197.0	855.6	843.5	832.3	1,161.4	1,146.8
Western [3]	275.2	275.9	275.0	1,189.9	1,170.2	1,160.1	1,620.4	1,601.9
Total Sales	**923.7**	**915.3**	**915.4**	**4,026.2**	**3,960.5**	**3,930.8**	**5,480.0**	**5,419.0**

[1] Based on Customer, Energy and Demand Forecast dated March 5, 2010.

[2] Eastern Region includes the Avalon, Burin and Clarenville operating areas.

[3] Western Region includes the Gander, Grand Falls - Windsor, Corner Brook and Stephenville operating areas.

NEWFOUNDLAND POWER INC.
STATEMENTS OF REVENUE
For The Periods Ended September 30
($000s)

WEATHER ADJUSTED

BY SALES CATEGORY	THIRD QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2011	Plan [1] 2011	Actual 2010	Actual 2011	Plan [1] 2011	Actual 2010	Plan [1] 2011	Actual 2010
Residential								
Residential	52,667	51,783	51,806	247,526	242,508	239,680	338,853	332,664
Residential - Seasonal	380	-	-	380	-	-	-	-
Total Residential	53,047	51,783	51,806	247,906	242,508	239,680	338,853	332,664
Commercial								
0-10 kW	2,579	2,492	2,552	9,307	9,018	9,142	12,229	12,331
10-100 kW	13,149	12,928	12,788	49,503	48,890	48,107	66,611	65,291
110-1000 kVA	16,432	16,421	15,842	58,922	58,350	57,018	79,462	77,976
1000 kVA and Over	7,584	8,065	7,882	23,487	24,233	23,399	32,233	31,037
Total Commercial	39,744	39,906	39,064	141,219	140,491	137,666	190,535	186,635
Street Lighting	3,458	3,428	3,383	10,395	10,267	10,081	13,702	13,540
Forfeited Discounts	517	462	425	2,093	2,131	1,884	2,744	2,494
Revenue From Rates	**96,766**	**95,579**	**94,678**	**401,613**	**395,397**	**389,311**	**545,834**	**535,333**
Energy Supply Cost Variance [2]	716	(93)	(28)	4,438	2,057	1,200	4,354	2,213
Seasonal Rate Revenue Deferral [3]	50	-	-	50	-	-	-	-
Amortizations [4]								
2010 Pension Expense Variance Deferral	722	291	(160)	2,168	873	(480)	1,161	(640)
OPEBs Deferral	48	-	-	144	-	-	-	-
2005 Unbilled Remaining Balance	-	-	1,155	-	-	3,465	-	4,618
Total Reported Revenue	**98,302**	**95,777**	**95,645**	**408,413**	**398,327**	**393,496**	**551,349**	**541,524**
Other Revenue	2,905	2,197	3,355	8,258	6,645	9,977	8,755	13,426
Total Operating Revenue	**101,207**	**97,974**	**99,000**	**416,671**	**404,972**	**403,473**	**560,104**	**554,950**

(1) Based on March 2010 sales forecast and rates effective January 1, 2011 as approved by Order No. P.U. 36(2010).
(2) Energy Supply Cost Variance as approved in Order No. P.U. 32(2007) and as approved for continued use in Order No. P.U. 43(2009).
(3) Seasonal Rate Revenue Deferral as approved in Order No. P.U. 8(2011).
(4) Revenue amortizations as approved in Order No. P.U. 32(2007), Order No. P.U. 43(2009) and Order No. P.U. 36(2010).

NEWFOUNDLAND POWER INC.
SUMMARY OF WEATHER ADJUSTMENTS
For The Periods Ended September 30
($000s)

	THIRD QUARTER			YEAR TO DATE			ANNUAL	
REVENUE FROM ELECTRICITY SALES	**Actual 2011**	**Plan [1] 2011**	**Actual 2010**	**Actual 2011**	**Plan [1] 2011**	**Actual 2010**	**Plan [1] 2011**	**Actual 2010**
Actual	96,281	95,579	93,203	396,270	395,397	377,608	545,834	514,888
Degree Day & Wind Adjustment	485	-	1,475	5,343	-	11,703	-	20,445
Weather Adjusted	**96,766**	**95,579**	**94,678**	**401,613**	**395,397**	**389,311**	**545,834**	**535,333**
Energy Supply Cost Variance [2]	716	(93)	(28)	4,438	2,057	1,200	4,354	2,213
Seasonal Rate Revenue Deferral [3]	50	-	-	50	-	-	-	-
Amortizations [4]								
Pension Expense Variance Deferral Account	722	291	(160)	2,168	873	(480)	1,161	(640)
OPEBs Expense Variance Deferral Account	48	-	-	144	-	-	-	-
2005 Unbilled Remaining Balance	-	-	1,155	-	-	3,465	-	4,618
Total Reported Revenue	**98,302**	**95,777**	**95,645**	**408,413**	**398,327**	**393,496**	**551,349**	**541,524**
PURCHASED POWER EXPENSE								
Actual	51,319	49,880	48,186	253,554	258,070	238,852	362,080	328,363
Degree Day & Wind Adjustment	530	-	1,562	5,917	-	12,891	-	22,568
Hydro Equalization Adjustment	-	-	(114)	4,348	-	2,496	-	4,506
Purchased Power Weather Adjusted	**51,849**	**49,880**	**49,634**	**263,819**	**258,070**	**254,239**	**362,080**	**355,437**
Demand Management Incentive Account [5]	415	-	221	**997**	-	**418**	-	**994**
Amortizations [6]								
Rattling Brook Deferral	-	-	150	-	-	450	-	598
PPUCVR Balance at Dec 31, 2006	-	-	(174)	-	-	(522)	-	(688)
Weather Normalization Reserve	525	525	525	1,575	1,575	1,575	2,101	2,102
Total Purchased Power Expense	**52,789**	**50,405**	**50,356**	**266,391**	**259,645**	**256,160**	**364,181**	**358,443**

(1) Based on March 2010 sales forecast and rates effective January 1, 2011 as approved by Order No. P.U. 36(2010).
(2) Energy Supply Cost Variance as approved in Order No. P.U. 32(2007) and as approved for continued use in Order No. P.U. 43(2009).
(3) Seasonal Rate Revenue Deferral as approved in Order No. P.U. 8(2011).
(4) Revenue amortizations as approved in Order No. P.U. 32(2007), Order No. P.U. 43(2009) and Order No. P.U. 36(2010).
(5) Demand Management Incentive Account as approved in Order No. P.U. 32(2007) and as approved for continued use in Order No. P.U. 43(2009).
(6) Amortizations for 2009 & 2010 as approved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS - DETAIL
For The Periods Ended September 30
($000s)

	THIRD QUARTER			YEAR TO DATE			ANNUAL	
	Actual 2011	Plan 2011	Actual 2010	Actual 2011	Plan 2011	Actual 2010	Plan 2011	Actual 2010
Other Revenue								
Joint Use Revenue								
Aliant	-	-	1,893	-	-	5,502	-	7,336
CATV	232	228	505	696	684	1,518	912	2,024
Total Joint Use Revenue	232	228	2,398	696	684	7,020	912	9,360
Miscellaneous								
Aliant Pole Sale	1,799	1,090	-	5,021	3,271	-	4,362	-
Customer Jobbing	216	215	62	554	532	298	720	492
Rental Income	12	6	6	19	18	10	25	10
Municipal Tax Liability	-	-	341	-	-	1,023	-	1,363
Interest - Customer Accounts	210	225	176	751	860	630	1,061	801
Interest - RSA	113	56	12	296	179	52	212	66
Interest - CIAC	22	32	24	69	95	75	125	100
Interest - Other	22	31	24	69	93	76	125	100
Reconnections	26	27	27	67	66	85	87	124
NSF Cheque Charges	8	9	7	24	31	25	40	32
Wheeling Charges	143	123	134	454	408	437	541	591
Miscellaneous	26	74	71	47	218	59	290	132
Service Connection Fees	76	81	73	191	190	187	255	255
Total Miscellaneous	2,673	1,969	957	7,562	5,961	2,957	7,843	4,066
Total Other Revenue	**2,905**	**2,197**	**3,355**	**8,258**	**6,645**	**9,977**	**8,755**	**13,426**
Finance Charges								
Interest on Long-term Debt	8,886	8,886	8,988	26,659	26,658	26,963	35,444	35,850
Interest on Long-term Committed Credit Facility	188	(17)	77	582	595	206	593	316
Interest on Short-term Uncommitted Demand Facility	-	-	-	10	-	9	-	13
Amortization of Deferred Debt Issue Costs	48	72	48	143	216	143	290	232
Interest on Tax Return	6	-	-	6	-	-	-	-
Amortization of Capital Stock Issue Expenses	-	-	9	-	-	28	-	38
Interest on Security Deposits	3	-	1	8	-	3	-	5
Credit Facility Costs	32	-	16	85	-	16	-	-
Interest Charged to Construction	(319)	(164)	(223)	(589)	(338)	(483)	(622)	(821)
Total Finance Charges	**8,844**	**8,777**	**8,916**	**26,904**	**27,131**	**26,885**	**35,705**	**35,633**

NEWFOUNDLAND POWER INC.
CUSTOMER AND EMPLOYEE STATISTICS
As At September 30

	THIRD QUARTER		ANNUAL	
	Actual 2011	**Actual 2010**	**Plan 2011**	**Actual 2010**
Customers	245,848	242,021	245,759	243,426
Employees [1]				
Regular	572	573	589	572
Temporary	67	66	58	69
Total	639	639	647	641

[1] Refers to full time equivalents.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY AREA
For The Periods Ended September 30

	SAIFI					SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR	QUARTER		12 MONTH TO DATE		5 YEAR
	2011	2010	2011	2010	TO DATE	2011	2010	2011	2010	TO DATE
AREA	#	#	#	#	# / YEAR	HOURS	HOURS	HOURS	HOURS	HRS. / YEAR
St. John's	0.20	1.59	1.56	3.12	2.27	0.28	10.67	2.22	12.46	4.82
Avalon	0.21	0.89	0.75	2.25	1.85	0.36	6.62	0.55	8.09	2.43
Burin	0.60	0.99	3.84	4.17	2.42	0.97	1.89	4.70	5.61	3.62
Bonavista	0.31	2.99	0.86	5.20	0.76	0.86	29.10	2.33	32.12	16.40
Gander	0.57	2.40	2.36	2.60	4.21	0.63	9.54	7.78	12.37	9.87
Grand Falls	1.12	1.03	5.02	4.19	1.86	1.86	1.03	5.73	4.40	3.78
Corner Brook	0.46	0.82	0.67	2.07	1.43	0.53	1.96	2.05	3.67	2.73
Stephenville	0.58	1.62	2.44	4.54	1.32	0.98	7.83	1.54	9.70	3.03
Company Totals	**0.39**	**1.04**	**1.95**	**2.97**	**2.01**	**0.60**	**8.96**	**5.48**	**13.98**	**5.74**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended September 30

ORIGIN	SAIFI QUARTER 2011 #	SAIFI QUARTER 2010 #	SAIFI 12 MONTH TO DATE 2011 #	SAIFI 12 MONTH TO DATE 2010 #	SAIFI 5 YEAR TO DATE # / YEAR
Loss of Supply (NF Hydro)	0.03	0.12	0.17	0.34	0.39
Transmission	0.07	0.27	0.64	0.88	0.32
Distribution	0.29	0.65	1.14	1.75	1.30
Company Totals	**0.39**	**1.04**	**1.95**	**2.97**	**2.01**

System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended September 30

ORIGIN	SAIDI QUARTER 2011 HOURS	SAIDI QUARTER 2010 HOURS	SAIDI 12 MONTH TO DATE 2011 HOURS	SAIDI 12 MONTH TO DATE 2010 HOURS	SAIDI 5 YEAR TO DATE HRS. / YEAR
Loss of Supply (NF Hydro)	0.04	0.31	0.05	0.42	0.22
Transmission	0.06	2.63	2.45	4.60	1.62
Distribution	0.50	6.02	2.98	8.96	3.90
Company Totals	**0.60**	**8.96**	**5.48**	**13.98**	**5.74**

System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BREAKDOWN REPORT
Third Quarter 2011

	SCHEDULED		UNSCHEDULED		TOTAL	
AREA	**SAIFI #**	**SAIDI HOURS**	**SAIFI #**	**SAIDI HOURS**	**SAIFI #**	**SAIDI HOURS**
St. John's	0.05	0.03	0.15	0.25	0.20	0.28
Avalon	0.09	0.20	0.12	0.16	0.21	0.36
Burin	0.26	0.86	0.34	0.11	0.60	0.97
Bonavista	0.21	0.72	0.10	0.14	0.31	0.86
Gander	0.03	0.11	0.54	0.52	0.57	0.63
Grand Falls	0.45	0.69	0.67	1.17	1.12	1.86
Corner Brook	0.15	0.26	0.31	0.27	0.46	0.53
Stephenville	0.14	0.55	0.44	0.43	0.58	0.98
Company Totals	**0.13**	**0.25**	**0.26**	**0.35**	**0.39**	**0.60**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.

CAPITAL EXPENDITURE PROGRESS REPORT

For the Period Ended September 30, 2011

Introduction

The Capital Expenditure Progress Report summarizes the capital expenditures of the various capital accounts of the Company and lists any new lease obligations in excess of $5,000 per year.

The report is divided into three sections as follows:

1. The Budget section outlines the annual capital expenditure budget approved by the Public Utilities Board for the current year.

2. The Expenditure section outlines actual capital expenditures for the current quarter and year to date, and indicates the balance of the annual capital budget remaining to be expended (difference between annual budget and year to date actual).

3. The Leasing Arrangement section includes a brief description of the item being leased, the leasing period, and the annual and quarterly leasing costs.

NEWFOUNDLAND POWER INC.
CAPITAL EXPENDITURE PROGRESS REPORT
For the Period Ended September 30, 2011
($000s)

	BUDGET	EXPENDITURE [1]		
	Approved by Order No. P.U. 28(2010), P.U. 8(2011) and P.U. 11(2011)	Third Quarter	Year To Date	Unexpended Balance
Generation Hydro	9,496	3,328	4,540	4,956
Generation Thermal	268	72	102	166
Substations	11,647	3,322	7,049	4,598
Transmission	4,745	1,037	1,599	3,146
Distribution	36,842	10,974	27,244	9,598
General Property	1,792	436	1,067	725
Transportation	2,254	271	1,987	267
Telecommunications	572	24	55	517
Information Systems	3,728	842	2,704	1,024
Unforeseen Items	750	-	-	750
General Expenses Capital	2,800	889	2,925	- 125
TOTAL	74,894	21,195	49,272	25,622

Leasing Arrangements Entered Into

Brief Description	Period	Annual Cost	Quarterly Payments
	There were no lease obligations entered into during the third quarter of 2011 that exceed $5,000 annually.		

[1] Excludes capital expenditures of approximately $3,113,000 related to prior years capital projects carried forward into 2011.

NEWFOUNDLAND POWER INC.

INTER-COMPANY TRANSACTIONS REPORT

For the Period Ended September 30, 2011

Introduction

The Inter-Company Transactions Report summarizes transactions between the Company and related corporations on a quarterly and year-to-date basis. The report itemizes the charges by type and distinguishes between regulated and non-regulated charges. The report also documents any contracts, agreements or loans between Newfoundland Power and any related corporation that were signed in the current quarter.

The report is divided into four sections as follows:

1. The first section aggregates charges from all related corporations and presents a summary, by charge type, for the current quarter and year-to-date with comparable data for the same period last year, as well as annual charges for the previous year.

2. The second section breaks down the charges ***from*** each individual associated corporation and presents an itemized quarterly summary for the current year and year-to-date with comparable data for the same period last year, as well as annual charges for the previous year.

3. The third section breaks down the charges ***to*** each individual associated corporation and presents an itemized quarterly summary for the current year and year-to-date with comparable data for the same period last year, as well as annual charges for the previous year.

4. The fourth section lists any contracts or agreements that were signed between the Company and any related corporation as well as any loans with related corporations. Loan information provided includes the amount of the loan, the date of borrowing and date of repayment, the interest rate, and total interest paid.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Summary of Charges
For The Period Ended September 30, 2011

Charges from Associated Companies

Regulated Charges	Third Quarter 2011	Third Quarter 2010	Year To Date 2011	Year To Date 2010	Annual 2010
Trustee & Share Plan Costs	$ 11,000	$ 12,000	$ 33,000	$ 36,000	$ 45,000
Hotel/Banquet Facilities	8,219	4,065	17,039	15,733	67,196
Staff Charges	4,805	-	4,805	46,199	151,132
Joint-use Pole Purchases	-	-	11,519	3,930	13,512
Miscellaneous	5,825	6,001	24,551	35,009	41,504
Sub-total	$ 29,849	$ 22,066	$ 90,914	$ 136,871	$ 318,344

Non-Regulated Charges	Third Quarter 2011	Third Quarter 2010	Year To Date 2011	Year To Date 2010	Annual 2010
Directors' Fees & Travel	$ 52,000	$ 57,000	$ 156,000	$ 171,000	$ 263,000
Annual & Quarterly Reports	24,000	30,000	72,000	90,000	89,000
Hotel/Banquet Facilities	-	-	-	2,416	2,416
Staff Charges	137,000	65,000	411,000	195,000	352,000
Miscellaneous	69,000	85,000	583,265	658,877	697,877
Sub-total	$ 282,000	$ 237,000	$ 1,222,265	$ 1,117,293	$ 1,404,293
TOTAL	$ 311,849	$ 259,066	$ 1,313,179	$ 1,254,164	$ 1,722,637

Charges to Associated Companies

	Third Quarter 2011	Third Quarter 2010	Year To Date 2011	Year To Date 2010	Annual 2010
Printing & Stationery	$ 137	$ 53	$ 596	$ 224	$ 401
Postage	5,910	4,936	17,292	16,576	20,851
Staff Charges	118,322	101,800	410,948	512,912	583,381
Staff Charges - Insurance	26,831	39,012	177,920	179,395	269,604
IS Charges	-	-	-	-	21,544
Pole Installations	3,000	3,066	15,703	20,869	23,976
Miscellaneous	19,961	15,335	25,135	25,855	36,607
TOTAL	$ 174,161	$ 164,202	$ 647,594	$ 755,831	$ 956,364

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended September 30, 2011

	Third Quarter 2011			Third Quarter 2010		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.						
Directors' Fees & Travel	$ -	$ 52,000	$ 52,000	$ -	$ 57,000	$ 57,000
Annual & Quarterly Reports	-	24,000	24,000	-	30,000	30,000
Trustee & Share Plan Costs	11,000	-	11,000	12,000	-	12,000
Staff Charges	-	137,000	137,000	-	65,000	65,000
Miscellaneous	3,126	69,000	72,126	1,100	85,000	86,100
Total	$ 14,126	$ 282,000	$ 296,126	$ 13,100	$ 237,000	$ 250,100
Fortis Properties Corporation						
Hotel/Banquet Facilities	$ 8,219	$ -	$ 8,219	$ 4,065	$ -	$ 4,065
Miscellaneous	588	-	588	-	-	-
Total	$ 8,807	$ -	$ 8,807	$ 4,065	$ -	$ 4,065
Maritime Electric Co. Ltd.						
Miscellaneous	$ 2,111	$ -	$ 2,111	$ 1,458	$ -	$ 1,458
Total	$ 2,111	$ -	$ 2,111	$ 1,458	$ -	$ 1,458
FortisAlberta Inc.						
Staff Charges	$ 4,805	$ -	$ 4,805	$ -	$ -	$ -
Total	$ 4,805	$ -	$ 4,805	$ -	$ -	$ -
FortisBC Inc.						
Miscellaneous	$ -	$ -	$ -	$ 3,443	$ -	$ 3,443
Total	$ -	$ -	$ -	$ 3,443	$ -	$ 3,443

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended September 30, 2011

	Year To Date 2011			Year To Date 2010			Annual 2010		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.									
Directors' Fees and Travel	$ -	$ 156,000	$ 156,000	$ -	$ 171,000	$ 171,000	$ -	$ 263,000	$ 263,000
Annual & Quarterly Reports	-	72,000	72,000	-	90,000	90,000	-	89,000	89,000
Trustee & Share Plan Costs	33,000	-	33,000	36,000	-	36,000	45,000	-	45,000
Staff Charges	-	411,000	411,000	-	195,000	195,000	-	352,000	352,000
Joint-use Pole Purchases	11,519	-	11,519	3,930	-	3,930	13,512	-	13,512
Miscellaneous	7,629	583,265	590,894	8,964	658,877	667,841	12,493	697,877	710,370
Total	$ 52,148	$ 1,222,265	$ 1,274,413	$ 48,894	$ 1,114,877	$ 1,163,771	$ 71,005	$ 1,401,877	$ 1,472,882
Fortis Properties Corporation									
Hotel/Banquet Facilities	$ 17,039	$ -	$ 17,039	$ 15,733	$ 2,416	$ 18,149	$ 67,196	$ 2,416	$ 69,612
Miscellaneous	8,029	-	8,029	11,814	-	11,814	11,814	-	11,814
Total	$ 25,068	$ -	$ 25,068	$ 27,547	$ 2,416	$ 29,963	$ 79,010	$ 2,416	$ 81,426
Maritime Electric Co. Ltd.									
Staff Charges	$ -	$ -	$ -	$ 46,199	$ -	$ 46,199	$ 86,218	$ -	$ 86,218
Miscellaneous	7,801	-	7,801	4,372	-	4,372	7,338	-	7,338
Total	$ 7,801	$ -	$ 7,801	$ 50,571	$ -	$ 50,571	$ 93,556	$ -	$ 93,556
FortisAlberta Inc.									
Staff Charges	$ 4,805	$ -	$ 4,805	$ -	$ -	$ -	$ 64,914	$ -	$ 64,914
Total	$ 4,805	$ -	$ 4,805	$ -	$ -	$ -	$ 64,914	$ -	$ 64,914
FortisBC Inc.									
Miscellaneous	$ 1,092	$ -	$ 1,092	$ 9,859	$ -	$ 9,859	$ 9,859	$ -	$ 9,859
Total	$ 1,092	$ -	$ 1,092	$ 9,859	$ -	$ 9,859	$ 9,859	$ -	$ 9,859

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended September 30, 2011

	Third Quarter 2011	Third Quarter 2010	Year To Date 2011	Year To Date 2010	Annual 2010
Fortis Inc.					
Postage	$ 5,910	$ 4,936	$ 17,292	$ 16,576	$ 20,851
Staff Charges	69,182	79,603	248,557	443,779	500,948
Staff Charges - Insurance	8,249	32,945	118,490	147,201	213,164
Pole Installations	3,000	3,066	15,703	20,869	23,976
Miscellaneous	6,781	1,833	9,666	3,358	8,747
Total	$ 93,122	$ 122,383	$ 409,708	$ 631,783	$ 767,686
Fortis Properties Corporation					
Printing & Stationery	$ 137	$ 53	$ 596	$ 224	$ 401
Staff Charges	-	-	-	1,247	1,247
Staff Charges - Insurance	10,852	5,337	27,555	17,693	23,303
Miscellaneous	730	790	1,747	9,745	9,745
Total	$ 11,719	$ 6,180	$ 29,898	$ 28,909	$ 34,696
Maritime Electric Co. Ltd.					
Staff Charges	$ 14,650	$ -	$ 14,960	$ 1,743	$ 2,312
Staff Charges - Insurance	1,468	139	2,408	977	1,346
IS Charges	-	-	-	-	3,351
Miscellaneous	550	580	550	580	580
Total	$ 16,668	$ 719	$ 17,918	$ 3,300	$ 7,589
FortisOntario Inc.					
Staff Charges	$ 546	$ -	$ 2,634	$ -	$ -
Staff Charges - Insurance	747	90	1,312	3,701	4,417
IS Charges	-	-	-	-	4,788
Miscellaneous	360	360	360	360	360
Total	$ 1,653	$ 450	$ 4,306	$ 4,061	$ 9,565
Fortis US Energy Corporation					
Staff Charges - Insurance	$ 620	$ -	$ 1,819	$ -	$ -
Total	$ 620	$ -	$ 1,819	$ -	$ -
Belize Electric Company Limited					
Staff Charges	$ -	$ 10,906	$ -	$ 27,565	$ 37,456
Staff Charges - Insurance	162	-	324	-	1,134
Total	$ 162	$ 10,906	$ 324	$ 27,565	$ 38,590

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended September 30, 2011

	Third Quarter 2011	Third Quarter 2010	Year To Date 2011	Year To Date 2010	Annual 2010
Belize Electricity Limited					
Staff Charges	$ -	$ 995	$ -	$ 2,935	$ 3,739
Staff Charges - Insurance	-	-	1,296	1,890	8,043
Miscellaneous	-	93	1,176	133	5,177
Total	$ -	$ 1,088	$ 2,472	$ 4,958	$ 16,959
FortisAlberta Inc.					
Staff Charges	$ 9,073	$ -	$ 18,219	$ -	$ -
Staff Charges - Insurance	-	-	2,393	378	540
Miscellaneous	3,120	2,990	3,120	2,990	2,990
Total	$ 12,193	$ 2,990	$ 23,732	$ 3,368	$ 3,530
FortisBC Inc.					
Staff Charges - Insurance	$ 2,297	$ 123	$ 5,545	$ 967	$ 1,410
IS Charges	-	-	-	-	13,405
Miscellaneous	1,910	1,910	1,931	1,910	1,919
Total	$ 4,207	$ 2,033	$ 7,476	$ 2,877	$ 16,734
FortisBC Holdings Inc.					
Staff Charges	$ -	$ -	$ 10,215	$ -	$ -
Staff Charges - Insurance	270	162	2,713	540	540
Miscellaneous	6,510	6,204	6,510	6,204	6,212
Total	$ 6,780	$ 6,366	$ 19,438	$ 6,744	$ 6,752
Caribbean Utilities Co. Limited					
Staff Charges	$ 1,893	$ -	$ 1,893	$ -	$ -
Staff Charges - Insurance	162	216	11,089	2,484	7,452
Miscellaneous	-	-	-	-	-
Total	$ 2,055	$ 216	$ 12,982	$ 2,484	$ 7,452
Fortis Turks and Caicos					
Staff Charges	$ 22,978	$ 10,296	$ 114,470	$ 35,643	$ 37,679
Staff Charges - Insurance	2,004	-	2,976	3,564	8,255
Miscellaneous	-	575	75	575	877
Total	$ 24,982	$ 10,871	$ 117,521	$ 39,782	$ 46,811

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Agreements With Associated Companies
For the Period Ended September 30, 2011

Company Name	Amount	Date Borrowed	Date Repaid	Interest Rate	Interest
Fortis Inc.	$ 25,000,000	July 20, 2011	August 31, 2011	1.68%	$ 48,401

* Market borrowing rate on July 20, 2011 was 2.17%.

NEWFOUNDLAND POWER INC.

CUSTOMER PROPERTY DAMAGE CLAIMS REPORT

For the Period Ended September 30, 2011

Introduction

The Customer Property Damage Claims Report contains an overview of all damage claims activity summarized on a quarterly basis. The information contained in the report is broken down by cause as well as by the operating region where the claims originated.

The report is divided into four sections as follows:

1. The first section indicates the number of claims received during the quarter coupled with claims outstanding from the previous quarter.

2. The second section shows the number of claims for which the Company has accepted responsibility and the amount paid to claimants versus the amount originally claimed.

3. The third section shows the number of claims rejected and the dollar value associated with those claims.

4. The fourth section indicates those claims that remain outstanding at the end of the current quarter and the dollar value associated with such claims.

Overview - Third Quarter

The total number of damage claims received during the third quarter of 2011 has decreased in comparison to the number of claims received during the same period in 2010. The decrease is primarily found in the Improper Workmanship and Miscellaneous categories.

Please note that the number of claims outstanding from the last quarter has been reduced by one. A claim originally reported in the Miscellaneous category in the St. John's Region was withdrawn by the customer. The new total of outstanding claims is 22, down from 23 as reported in the summary for the quarter ending June 2011.

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Cause

For the Quarter Ending September 30, 2011

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	-	1	1	-	$ -	$ -	-	$ -	1	$ 400
Power Interruptions	-	-	-	-	-	-	-	-	-	-
Improper Workmanship	3	8	11	4	3,693	3,393	-	-	7	17,800
Weather Related	1	-	1	-	-	-	-	-	1	3,559
Equipment Failure	16	8	24	11	10,613	9,182	-	-	13	13,921
Third Party	2	-	2	1	100	100	-	-	1	836
Miscellaneous	10	5	15	9	4,752	4,358	-	-	6	7,997
Total	**32**	**22**	**54**	**25**	**$ 19,158**	**$ 17,033**	**-**	**$ -**	**29**	**$ 44,513**

For the Quarter Ending September 30, 2010

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	-	2	2	-	$ -	$ -	-	$ -	2	$ 1,700
Power Interruptions	3	-	3	1	300	300	-	-	2	2,700
Improper Workmanship	9	5	14	8	15,931	13,188	-	-	6	19,900
Weather Related	-	1	1	-	-	-	-	-	1	5,000
Equipment Failure	13	14	27	17	22,311	16,027	-	-	10	6,900
Third Party	1	1	2	-	-	-	1	600	1	500
Miscellaneous	18	4	22	18	12,114	7,914	1	700	3	1,650
Total	**44**	**27**	**71**	**44**	**$ 50,656**	**$ 37,429**	**2**	**$ 1,300**	**25**	**$ 38,350**

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Region

For the Quarter Ending September 30, 2011

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
St. John's Region	10	13	23	6	$ 3,372	$ 3,372	-	$ -	17	$ 26,356
Eastern Region[1]	14	3	17	14	11,110	8,985	-	-	3	4,962
Western Region[2]	8	6	14	5	4,676	4,676	-	-	9	13,195
Total	**32**	**22**	**54**	**25**	**$ 19,158**	**$ 17,033**	**-**	**$ -**	**29**	**$ 44,513**

For the Quarter Ending September 30, 2010

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
St. John's Region	11	13	24	9	$ 8,900	$ 6,175	2	$ 1,300	13	$ 26,800
Eastern Region[1]	17	6	23	16	22,144	15,012	-	-	7	9,150
Western Region[2]	16	8	24	19	19,612	16,242	-	-	5	2,400
Total	**44**	**27**	**71**	**44**	**$ 50,656**	**$ 37,429**	**2**	**$ 1,300**	**25**	**$ 38,350**

[1] Eastern Region includes Avalon, Burin and Clarenville operating areas.

[2] Western Region includes Gander, Grand Falls - Windsor, Corner Brook and Stephenville operating areas.

Definitions of Causes of Damage Claims

1. **System Operations:** Claims arising from system operations. Examples include normal reclosing or switching.

2. **Power Interruptions:** Claims arising from interruption of power supply. Examples include all scheduled or unscheduled interruptions.

3. **Improper Workmanship:** Claims arising from failure of electrical equipment caused by improper workmanship or methods. Examples include improper crimping of connections, insufficient sealing and taping of connections, improper maintenance, inadequate clearance, or improper operation of equipment.

4. **Weather Related:** Claims arising from weather conditions. Examples include wind, rain, ice, lightning, or corrosion caused by weather.

5. **Equipment Failure:** Claims arising from failure of electrical equipment not caused by improper workmanship. Examples include broken neutrals, broken tie wires, transformer failure, insulator failure or broken service wire.

6. **Third Party:** Claims arising from equipment failure caused by acts of third parties. Examples include motor vehicle accidents and vandalism.

7. **Miscellaneous:** All claims not related to electrical service.

NEWFOUNDLAND POWER INC.

CONTRIBUTION IN AID OF CONSTRUCTION
QUARTERLY ACTIVITY REPORT

For the Period Ended September 30, 2011

The table below summarizes Contribution In Aid of Construction (CIAC) activity for the third quarter of 2011. The table is divided into three sections. The first section identifies the type of service for which a CIAC has been calculated. Services are categorized as Domestic (located within a Residential Planning Area), Domestic (located outside a Residential Planning Area) or General Service.

The second section indicates the number of CIACs quoted during the quarter as well as the number of CIAC quotes that remained outstanding at the end of the previous quarter. This format facilitates a reconciliation of the total number of CIACs that were active during the quarter.

The third section provides information as to the disposition of the total CIACs quoted. A CIAC is considered Accepted when a customer indicates they wish to proceed with construction of the extension and has agreed to pay any charge that may be applicable. A CIAC is considered Outdated after six months has elapsed and the customer has not indicated their intention to proceed with the extension. A quoted CIAC is Outstanding if it is neither Accepted nor Outdated.

Type of Service	CIACs Quoted	CIACs Outstanding Previous Qtr.	Total CIACs Quoted	CIACs Accepted	CIACs Outdated	Total CIACs Outstanding
Domestic						
- Within Planning Area	25	18	43	22	1	20
- Outside Planning Area	41	58	99	44	10	45
	66	76	142	66	11	65
General Service	14	14	28	16	2	10
Total	80	90	170	82	13	75

The table on pages 2 and 3 of the report provides specific information for the 80 CIACs quoted to customers during the period July 1, 2011 to September 30, 2011. Both the CIAC amounts quoted and the Estimated Construction Costs exclude HST.

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Third Quarter 2011

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (within Residential Planning Area)				
2011/07/19	2011-20-175	690.00	3,240.00	Yes
2011/07/20	2011-20-177	1,650.00	4,200.00	Yes
2011/07/22	2011-30-116	2,000.00	5,150.00	Yes
2011/07/25	2011-20-180	2,780.00	5,630.00	
2011/08/04	2011-31-105	630.00	4,380.00	Yes
2011/08/04	2011-50-129	24,900.00	27,450.00	Yes
2011/08/12	2011-10-143	1,050.00	3,900.00	
2011/08/16	2011-10-144	2,590.00	5,140.00	
2011/08/16	2011-10-149	1,000.00	3,550.00	Yes
2011/08/23	2011-40-119	930.00	3,480.00	Yes
2011/08/26	2011-51-121	1,080.00	3,630.00	
2011/08/30	2011-10-151	6,384.00	8,934.00	Yes
2011/08/31	2011-10-154	647.26	3,197.26	Yes
2011/09/02	2011-20-188	8,990.00	11,900.00	Yes
2011/09/14	2011-30-117	2,240.00	4,790.00	Yes
2011/09/15	2011-30-120	420.00	3,570.00	
2011/09/21	2011-10-153	15,684.00	18,234.00	
2011/09/21	2011-41-117	3,500.00	6,050.00	
2011/09/22	2011-41-118	377.60	2,927.00	Yes
2011/09/26	2011-20-194	5,600.00	8,510.00	
2011/09/26	2011-30-121	650.00	3,200.00	
2011/09/27	2011-10-159	26,880.00	28,080.00	
2011/09/29	2011-30-119	1,320.00	4,470.00	Yes
2011/09/30	2011-10-162	1,130.00	3,680.00	
2011/09/30	2011-20-201	1,710.00	4,260.00	
DOMESTIC (outside Residential Planning Area)				
2011/07/12	2011-10-140	3,072.79	3,822.79	Yes
2011/07/12	2011-50-123	2,961.54	3,711.54	
2011/07/12	2011-50-122	2,961.54	3,711.54	Yes
2011/07/12	2011-10-136	2,108.83	2,858.83	
2011/07/12	2011-50-121	2,961.54	3,711.54	Yes
2011/07/19	2011-20-176	1,440.00	2,190.00	
2011/07/20	2011-50-125	2,961.54	3,711.54	Yes
2011/07/20	2011-50-127	2,961.54	3,711.54	
2011/07/22	2011-50-130	780.00	1,530.00	Yes
2011/07/22	2011-30-115	1,680.00	2,430.00	Yes
2011/07/23	2011-20-178	3,061.48	6,811.50	
2011/07/25	2011-20-179	3,573.59	4,323.59	
2011/07/28	2011-30-114	4,331.29	5,081.29	Yes

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Third Quarter 2011

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (outside Residential Planning Area)				
2011/08/04	2011-31-106	870.00	1,620.00	Yes
2011/08/10	2011-10-139	14,250.00	15,000.00	
2011/08/11	2011-10-141	780.00	1,530.00	Yes
2011/08/11	2011-20-183	150.00	1,200.00	Yes
2011/08/11	2011-20-184	5,514.20	6,264.20	
2011/08/11	2011-20-185	3,475.74	4,225.74	
2011/08/23	2011-40-122	4,310.00	5,060.00	Yes
2011/08/26	2011-51-122	1,725.00	2,475.00	Yes
2011/08/29	2011-20-187	2,595.10	3,345.10	Yes
2011/08/31	2011-20-181	2,360.00	3,110.00	Yes
2011/08/31	2011-20-186	2,595.10	3,345.10	Yes
2011/09/06	2011-41-115	2,239.13	2,989.13	Yes
2011/09/08	2011-41-116	5,435.86	6,185.86	Yes
2011/09/09	2011-10-137	1,455.01	2,205.01	
2011/09/14	2011-20-190	3,773.21	4,523.21	
2011/09/14	2011-20-191	2,400.00	3,150.00	Yes
2011/09/19	2011-20-192	96,050.00	107,450.00	
2011/09/20	2011-50-134	450.00	1,200.00	
2011/09/21	2011-40-121	3,511.68	4,261.80	
2011/09/21	2011-50-137	1,850.00	2,600.00	
2011/09/22	2011-20-193	2,595.10	3,345.10	Yes
2011/09/23	2011-20-195	1,200.00	1,950.00	
2011/09/26	2011-20-196	45,840.00	59,190.00	
2011/09/28	2011-50-135	2,961.54	3,711.54	
2011/09/28	2011-50-136	2,961.54	3,711.54	
2011/09/29	2011-20-198	3,014.30	3,764.30	Yes
2011/09/30	2011-20-199	2,207.42	2,957.42	
2011/09/30	2011-20-200	2,207.42	2,957.42	
General Service				
2011/07/04	2011-40-116	3,382.40	7,040.00	Yes
2011/07/05	2011-41-113	7,280.00	7,680.00	
2011/07/08	2011-40-118	2,165.00	5,360.00	Yes
2011/07/14	2011-50-120	19,425.00	28,740.00	
2011/07/15	2011-50-124	13,280.00	13,280.00	Yes
2011/07/19	2011-20-174	5,030.00	11,280.00	Yes
2011/07/20	2011-10-138	3,500.00	9,975.00	Yes
2011/07/20	2011-50-126	360.00	2,910.00	Yes
2011/08/11	2011-20-182	11,350.00	13,900.00	
2011/09/08	2011-51-100	454,001.80	454,001.80	
2011/09/09	2011-50-133	27,200.00	33,000.00	Yes
2011/09/21	2011-50-131	10,552.80	13,400.00	
2011/09/23	2011-10-155	284.00	11,010.00	
2011/09/23	2011-10-156	3,194.00	13,800.00	

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
P.O. Box 8910
St. John's, NL A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

February 14, 2012

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

Enclosed are eleven copies of Newfoundland Power Inc.'s Quarterly Regulatory Report for the quarter ending December 31, 2011.

The report is divided into five sections: Quarterly Summary; Capital Expenditure Progress; Inter-Company Transactions; Customer Property Damage Claims; and Contribution In Aid of Construction Activity.

If you have any questions on the enclosed, please contact the undersigned at the direct number noted below.

Yours very truly,

Gerard M. Hayes
Senior Counsel

Enclosures

c. Geoffrey P. Young
Newfoundland & Labrador Hydro

Quarterly Regulatory Report

For The Period Ended

December 31, 2011

QUARTERLY REGULATORY REPORT

FOR THE PERIOD ENDED

December 31, 2011

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1. Highlights

Highlights	4th Quarter			Annual	
	Actual 2011	Plan 2011	Actual 2010	Actual 2011	Plan 2011
Injury Frequency Rate [1]	1.4	1.7	1.9	1.8	1.7
Customer Satisfaction (%)	89	89	89	89	89
Customer Minutes of Outage [2]	27.3	11.6	12.1	57.5	36.9
Electricity Delivery [3]					
Electricity Sales (GWh)	1,526.6	1,519.5	1,488.2	5,552.8	5,480.0
Peak Demand (MW) [4]	1,252.5	1,283.9	1,237.6	1,252.5	1,283.9
Revenue ($millions)	156.1	155.1	151.7	573.1	560.1
Earnings ($millions) [5]	8.0	8.7	9.2	33.7	32.0

- Safety performance consistent with plan.
- Customer satisfaction remains strong and is consistent with plan.
- 4th quarter and annual customer minutes of outage were significantly higher than plan, primarily reflecting the impact of a major windstorm on December 8th.
- 4th quarter and annual electricity sales were higher than plan.
- 4th quarter earnings were lower than plan, while annual earnings were higher than plan.
- PUB approved 2012 capital budget of $77.3 million.
- PUB approved suspension of the Automatic Adjustment Formula for 2012.

1 Injuries per 200,000 hours worked.
2 In millions of minutes, excluding Hydro related interruptions.
3 Weather adjusted.
4 Peak demand for the 2010/2011 winter period occurred on February 2nd, 2011 at 5:45 p.m.
5 Earnings applicable to common shares.

2. Customer Service

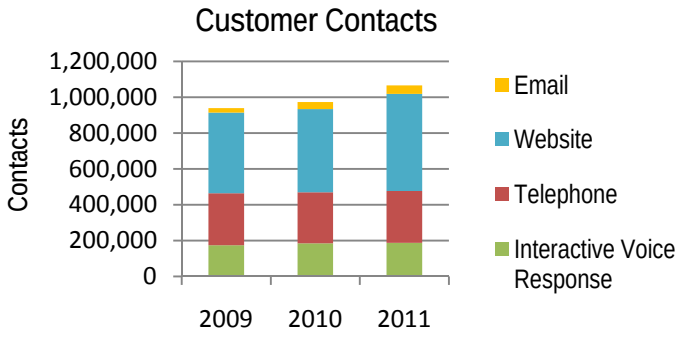
Customer Service Performance	Annual (%)		
	Actual 2011	Plan 2011	Actual 2010
Customer Satisfaction	89	89	89
First Call Resolution [1]	89	89	88
Service Level [2]	80	80	78
Trouble Call Response [3]	80	85	83

[1] % of customer calls resolved on first contact.
[2] % of customer calls answered within 60 seconds.
[3] % of call response within two hours, excluding major storms.

Customer Service Performance

Overall customer service performance to the end of the year was consistent with plan. Service Level improved compared to 2010 primarily as a result of using the existing telephone technology to reprioritize the assignment of agents on an as-needed basis to answer incoming customer calls. When not required for incoming calls, agents continue to work on other off-phone customer related work, such as email responses.

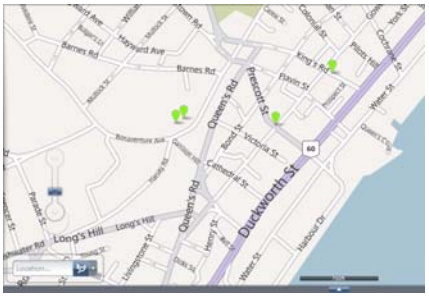
In 2011, there were increases in the number of customer contacts via each of the Company's available contact methods, resulting in an overall 9.5% increase over the previous year. The most significant increases were in email and website contacts. The Company continues to enhance these customer electronic self-service options to improve overall customer service delivery.



Customer Service Improvements

At the end of 2011, over 45,000 Newfoundland Power customers were participating in the Company's e-bill program. This represents over 19% of total customers, and a 30% increase since year-end 2010. The postal strike of 2011 was a key driver of the significant increase.

In March, Newfoundland Power implemented "Click" scheduling software to organize and schedule work for service and line crews in St. John's Regional Operations. This software matches work to crews based on location and skill set, optimizing field work and reducing administrative effort. Over 3,300 work orders were completed using this system in 2011.



GIS map of downtown St. John's showing 4 scheduled work locations

Since October, six St. John's service crews have also been using wireless technology connected to vehicle laptops to receive work orders, such as new service connections, electronically, further reducing manual effort and reliance on paper forms. Work orders include GPS location data to assist crews in efficient navigation to the work site. When work orders are completed, they are closed in the field and systems are updated automatically, eliminating paper forms and providing better information for customers.

Using Blackberry technology, Engineering Technologists also update customer work orders in the field with work planning details, such as customer contact information, GPS coordinates and job notes, rather than update the system from field notes after returning to the office. This work order planning information is then made available to crews through the "Click" system.

Energy Conservation

In 2011, over 5,000 Newfoundland Power customers participated in one or more of the *takeCHARGE!* Energy Savers Rebate programs. This resulted in 11.3 GWh of energy savings, which was 6.2 GWh above the target for 2011. The third annual Energy Efficiency Week was held from October 22nd – 28th. Activities included a one-day only insulation rebate offer, and a *takeCHARGE!* energy efficiency education initiative with children from more than 25 schools participating. Company employee lunch 'n' learns were also held, including an interactive energy Jeopardy game as a creative way to learn more about saving energy.

takeCHARGE! continued to expand partnerships with key retailers across the province, such as Kent. These relationships created opportunities to have not only an in-store presence, but to also be featured in Kent flyers promoting efficient products (eg. thermostats). Specific outreach activities included presentations and lunch 'n' learns aimed at educating retailer staff on the benefits of energy efficient products and awareness of the *takeCHARGE!* rebate programs.

At *takeCHARGE!* outreach events during the quarter, including a Retail Day on October 1st, the Clarenville trade show, Christmas on the Exploits and the annual Municipalities Newfoundland and Labrador Convention in Corner Brook, attendees were invited to visit the *takeCHARGE!* booth to discuss energy efficiency solutions and rebate programs.

Approximately 73,000 visitors used the *takeCHARGE!* website throughout the year, a 40% increase over 2010. New elements on the site include social networking links and an energy efficiency tip of the week. Customer engagement through the *takeCHARGE!* Facebook page has also increased significantly to over 6,000 fans from about 650 at the end of 2010. The "Battle of the Energy Savers" interactive contest was a primary driver of the increased activity.

3. System Performance

A. Reliability

System Reliability [1]	Annual		
	Actual [2] 2011	Plan 2011	Actual [3] 2010
Customer Minutes of Outage [4]	57.5	36.9	194.1
SAIDI (Outage hours per customer)	4.03	2.60	13.82
SAIFI (Outages per customer)	1.95	1.95	2.69

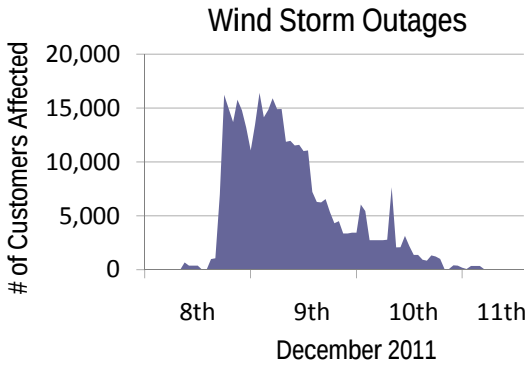
1 Excludes Hydro-related interruptions.

2 2011 system reliability statistics excluding the December wind storm and outages for PCB legislative requirements are:
- Customer Minutes of Outage 36.7
- SAIDI 2.57
- SAIFI 1.70

3 2010 system reliability statistics excluding Hurricane Igor and the March ice storm are:
- Customer Minutes of Outage 36.4
- SAIDI 2.59
- SAIFI 1.52

4 In millions of minutes.

Excluding the impact of major storms, system reliability performance for 2011 was broadly consistent with plan and 2010 performance.



On December 8th, the island experienced a major wind storm with wind speeds in excess of 120 km/h. In total, 41,000 customers were impacted by the storm and the number of customers without power at any one time peaked at 16,400. Most of the electrical system trouble was related to trees blowing into lines, broken conductors and broken poles. The most serious damage occurred in the Corner Brook, Grand Falls-Windsor and Bonavista Peninsula areas, though the storm did cause damage across the island.

Power restoration began with the higher priority assets such as transmission lines and full feeders and then progressed to smaller sections of feeders and ultimately to isolated trouble calls. Crews from across the island were mobilized to the affected areas. Restoration work continued until December 11th, with additional repairs continuing until December 24th. The total cost of the electrical system restoration was over $670,000.

Other significant unplanned power interruptions during the 4th quarter included:

Oct 6th: High winds and broken trees caused an outage to 3,179 customers in the Dunville area and resulted in 378,301 customer minutes of outage.

October 27th: Sleet and high winds caused an outage to 260 customers in the Seal Cove and Wild Cove areas on the Baie Verte Peninsula, resulting in 363,420 customer minutes of outage.

Nov 12th: A bus lockout caused by a broken riser at Hardwoods substation resulted in an outage to 4,666 customers in the Topsail Road, Paradise area and resulted in 566,959 customer minutes of outage.

Dec 25th: Equipment failure resulted in a bus lockout at Springfield substation. The lockout caused an outage to 3,033 customers in the Brigus to Bay Roberts area, resulting in 550,787 customer minutes of outage.

B. Electricity Supply

Electricity Supply	4th Quarter			Annual	
	Actual 2011	Plan 2011	Actual 2010	Actual 2011	Plan 2011
Energy Purchased (GWh) [1]	1,502.1	1,497.1	1,456.8	5,455.4	5,375.6
Peak Demand (MW) [1, 2]	1,252.5	1,283.9	1,237.6	1,252.5	1,283.9
Hydro Plant Production (GWh)	108.3	113.0	121.9	469.0	429.7
Plant Availability (%)	90.3	96.5	99.2	93.5	96.5

[1] Weather adjusted.
[2] Peak demand for the 2010/2011 winter period occurred on February 2nd, 2011 at 5:45 p.m.

4th quarter and annual energy purchases were higher than plan, reflecting higher energy sales.

Annual hydro plant energy production was higher than plan. During the 4th quarter, hydro plant energy production was 4.7 GWh lower than plan and 13.6 GWh lower than the same period of 2010. This reflects lower than planned hydro plant availability, primarily related to unplanned outages and capital upgrades. The number of forced outages in the 4th quarter was only slightly higher than that experienced in the same period of 2010 (54 vs. 52 incidents). However, more time was required to repair equipment and return to safe operating conditions. Sandy Brook and Horsechops plants were unavailable for most of the 4th quarter due to planned capital projects.

4. Financial Matters

	4th Quarter			Annual	
	Actual 2011	Plan 2011	Actual 2010	Actual 2011	Plan 2011
Electricity Sales (GWh)	1,526.6	1,519.5	1,488.2	5,552.8	5,480.0
Revenue ($millions)	156.1	155.1	151.7	573.1	560.1
Purchased Power Costs ($millions)	103.1	104.5	102.3	369.5	364.2
Operating Costs ($millions) [1]	16.2	13.8	13.3	56.6	53.3
Operating Cost per Customer ($)	68	58	57	241	225
Earnings ($millions) [2]	8.0	8.7	9.2	33.7	32.0

[1] Excluding pension, OPEBs, and early retirement program costs.
[2] Earnings applicable to common shares.

Financial Results

Electricity sales in the 4th quarter of 2011 were consistent with plan, while annual sales were slightly higher than plan. This reflects growth in residential sales due to a solid housing market and an increase in the number of electrically heated homes. Growth in commercial sales was largely due to construction of the hydromet nickel processing plant in Long Harbour and a strong retail sector, partly offset by a decline in the fishing sector.

Revenue for the 4th quarter of 2011 was also broadly consistent with plan, while annual revenue was higher than plan. Purchased power costs were slightly below plan for the 4th quarter and slightly above plan for the year. This reflects higher energy production from the Company's hydroelectric generating facilities.

Operating costs for the 4th quarter were higher than plan. The increase in operating expenses was primarily related to (i) increased conservation costs related to rebate promotions offered to customers; (ii) costs associated with the wind storm in early December 2011; and (iii) higher costs associated with hiring, training and personal illness. These increases were also reflected in higher annual operating costs.

Earnings for the 4th quarter were lower than plan primarily due to higher operating costs. Earnings for the year were higher than plan, reflecting higher electricity sales and revenue.

The Formula and Customer Rates

On December 13th, 2011, the PUB approved the Company's application to suspend operation of the Automatic Adjustment Formula for 2012. As a result, the Company's regulated return on common equity will remain at 8.38% and current customer electricity rates will continue in effect for 2012, both on an interim basis. The schedule for a full cost of capital review has yet to be determined.

Joint Use Support Structure Agreement

The transaction with Bell Aliant regarding the sale of 40% of the Company's joint use support structures closed on January 16th, 2012. A purchase price adjustment of $0.9 million was paid to Bell Aliant from the Company, based on the results of the pole count survey completed in the 4th quarter of 2011.

Cost Recovery Deferral

On September 16th, 2011, the Company filed an application with the PUB requesting the deferred recovery of expected increased costs in 2012 of $2.4 million due to expired regulatory amortizations. The application was approved by the PUB on October 27th, 2011.

U.S. GAAP

On November 10th, 2011, the Company filed an application with the PUB regarding the adoption of U.S. GAAP for regulatory purposes effective January 1st, 2012. The application was approved by the PUB on December 15th, 2011.

Labour Relations

Collective bargaining between the Company and the International Brotherhood of Electrical Workers has reached a tentative agreement. This agreement was presented to the IBEW local executive in late January, and was subsequently distributed to union members. Voting on the tentative agreement is to be completed in early March.

Workforce Management

There were three resignations in the 4th quarter, for a total of 19 during the year. In addition, a total of 19 employees retired during 2011 and a further five employees began pre-retirement leave. While anticipated, this reflects a significant increase over recent experience. The Company's turnover rate in 2011 was 3.3%, compared to a rate of less than 1% in 2009 and 2010. Sixty-five new regular and temporary employees were hired in 2011, excluding students. The Company's approach to workforce management and recruiting in 2012 will address issues of employee development and compensation to reflect the generally increased competitiveness of the local labour market.

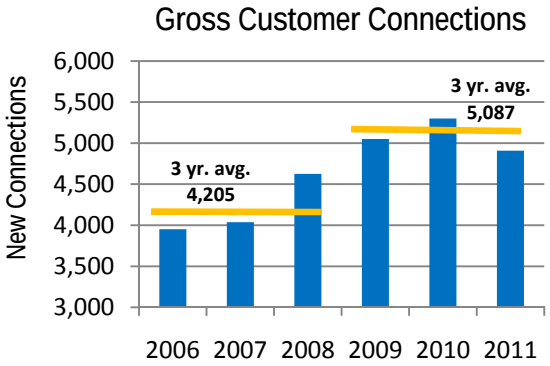
5. Capital Program

2011 Capital Expenditures	Annual	
	Actual 2011 [1]	Plan 2011 [2]
Total ($millions)	76.2	76.5

[1] Actual 2011 expenditures include $305,000 in unforeseen items to replace an underground switch damaged by fire at the intersection of Water Street and McBride's Hill in St. John's.

[2] Plan includes $1,430,000 carryover for 2010 Transmission projects and $900,000 for 2010 Substations projects. Plan also includes the supplemental capital expenditure approval of $1,800,000 in Order No. P.U.11 (2011) associated with hydro plants damaged by Hurricane Igor. Annual plan excludes $750,000 allowance for unforeseen items.

Capital expenditures in 2011 were $76.2 million which was approximately $300,000 below plan. The lower than expected expenditures were primarily related to work not completed on some Transmission, Distribution and General Properties projects, partially offset by higher than expected customer growth impacts in the Distribution class. During 2011, there were 4,909 new customer connections. This was 6.1% higher than the 2011 budget estimate of 4,625.



In 2011, the Company completed two capital projects to increase the transformer capacity on the Northeast Avalon Peninsula. New 25 MVA substation transformers were installed at Pulpit Rock Substation in Torbay, and at Kelligrews Substation in Conception Bay South. These projects were required due to continuing customer and load growth in these areas.

The project to rebuild transmission line 16L from Pepperell to Kings Bridge substations was partially completed, with a section from Kings Bridge Substation to a location near the CNIB building on the Boulevard remaining to be completed. The necessary approvals from the City of St. John's were delayed, but are now in place. This will allow the work to proceed in 2012.

Major capital projects that were completed in the 4th quarter include:

- Refurbishment of the Sandy Brook plant switchgear, governor, protection and controls systems,
- Increasing the elevation of the Sandy Lake spillway to increase production, and
- Rebuilding of transmission line 25L from Goulds to St. John's.

The Company's $77.3 million 2012 capital budget was approved by the PUB on December 13th, 2011.

6. Safety

Safety Performance	Annual		
	Actual 2011	Plan 2011	Actual 2010
Injury Frequency Rate [1]	1.8	1.7 [2]	1.9

[1] Injuries per 200,000 hours worked.
[2] Based on a 10% improvement over the three-year average from 2008 to 2010.

Safety Performance

One lost time injury and one medical aid injury occurred in the 4th quarter. The Company recorded a total of five lost time and five medical aid injuries in 2011, resulting in 274 calendar days of lost time due to injuries and an injury frequency rate of 1.8.

There was one recordable vehicle accident during the 4th quarter and a total of 3 during the year. Each of the recordable vehicle accidents in 2011 was caused by a third party.

OHSD Regulatory Activity

On October 28th, 2011, the Occupational Health and Safety Division (OHSD) issued an order to the Company regarding the disconnection and reconnection of residential electrical services by independent electricians. The Company revised its disconnection/reconnection policy to reinforce the requirement for electricians to have an electrical safety program. The Company also updated the training provided to independent electricians and communicated these changes to all electrical contractors and/or electricians who are authorized to perform this work. No further action is required.

Since September 2011, Newfoundland Power has, with the permission of OHSD, used the City of St. John's traffic control standard while working within municipalities and the Department of Transportation and Works traffic control standard for work outside municipalities. In November, the Company requested permission from OHSD to harmonize these two standards for the Company's traffic control requirements. This request is currently under review.

The Company is partnering with OHSD on a communications and awareness program for residential construction near energized lines, particularly in downtown St. John's. The program is scheduled for completion in May of 2012.

Line Operations Safety Initiative

The Company completed the assessment phase of an initiative to ensure consistency of safety procedures across its line operations. The project team identified both strengths and opportunities for improvement, and provided immediate coaching and feedback. As well, recommendations were compiled in an action plan for implementation in 2012, ranging from equipment inspection record keeping to powerline technician training improvements.

Health and Safety OHSAS Audit

An audit of the Company's Health & Safety Management System (HSMS) was conducted in October. The audit confirmed that the Company remains compliant with the OHSAS 18001 international standard and that the HSMS is mature and is operating as intended.

Hazard Registry

In December, the Company updated its safety hazard registry with the support of an external safety consultant. The registry was streamlined to just over 100 hazards which will lead to a more effective and focused basis for safety assessment.

Contractor Safety

In December, production was completed on a contractor Safety, Health and Environment (SH&E) awareness video. This video will be used to provide a consistent and concise message to contractors doing work for the Company.

An electrical safety program for vegetation management contractors was developed and will be implemented as part of the vegetation contractors' safety program starting in Q1 of 2012.

7. Environment

Environment Performance[1]	Annual		
	Actual 2011	Plan 2011	Actual 2010
Number of Spills	80	65	81
Reportable PCB spills [2]	2	2	1
Volume of Oil Spills (Litres)	779	725	1,507

[1] Excludes all third party spills which the Company has no control over. The total number of third party spills excluded in 2011 is 8 and the associated volume is 377 litres. The actual 2010 amount excludes 5 spills and 99 litres as a result of third party spills.

[2] PCB spills must be reported if any of the following conditions exist:

- All PCB spills that have a concentration of 50 ppm PCBs or more.
- All PCB spills that exceed the one gram rule.
- All oil spills of equipment in storage / inventory (not in use) that exceed a concentration of 2 ppm PCBs regardless of quantity.

Environment Performance

The number and volume of spills for 2011 has decreased slightly compared to 2010. In 2010, the March ice storm and Hurricane Igor resulted in spills totaling 817 litres.

The Company has been nominated for the Environmental Achievement Award within the Newfoundland and Labrador Construction Association (NLCA). Award winners will be announced at a NLCA annual conference on March 3rd, 2012.

PCB Regulations

On December 5th, 2011 the Company provided Environment Canada with an updated report of substation equipment where PCB concentrations are unknown. This is an annual requirement under the Company's end-of-use extension to December 31st, 2014 for all oil filled electrical equipment where PCB concentration levels are known to be 500mg/kg or where concentration levels are unknown.

Training Programs

During the 4th quarter, 10 Newfoundland Power employees and 82 contractor employees were provided with environmental training. A total of 150 Newfoundland Power employees and 348 contractor employees were trained during the year.

8. Community

The Power of Life Project

Employees and customers continue to support cancer care in the province by donating to *The Power of Life Project*. The corporate donation of $25,000 was presented to the Dr. H. Bliss Murphy Cancer Centre during the 4th quarter. Clarenville area employees presented a donation of more than $12,000 to the Cancer Centre, bringing the 5-year donation total for this group to over $75,000. During the quarter, the *Project* presented 12 automated blood pressure monitors, valued at $60,000.

In the 4th Quarter a new Power of Life Project logo was launched.

Partners for Life

In December, the Company's employees exceeded the annual corporate pledge of 300 blood donations by 20. Since joining the Partners for Life Program in 2004 over 2,300 donations have been made, helping to save up to 6,900 lives.

Team Newfoundland Power at the 2011 CIBC Run for the Cure

CIBC Run for the Cure

On Sunday, October 2nd, 30 employees and family members participated in the annual CIBC Run for the Cure in support of breast cancer. Team Newfoundland Power proudly walked or ran in the rain in support of family, friends and co-workers who have been affected by this disease and raised over $2,000.

Janeway Jeans Day

For the seventh year in a row the Company has been a corporate sponsor of the annual Janeway Jeans Day which was held on Monday, November 7th. Employees across the island proudly wore their "Monday Blues" and raised $505 to help the Janeway purchase state-of-the-art medical equipment, fund paediatric research and invest in continued staff education.

Christmas Parades

Employees, retirees and family members got into the holiday spirit at Christmas parades across the island in November and early December. In St. John's, employees and family members walked the parade route, collecting food and money along the way. Over 26,000 pounds of food valued at more than $52,000 and approximately $13,000 was collected for the Community Food Sharing Association. Over the past thirteen years this event has collected approximately 242,000 pounds of food and over $105,000 to assist others during the holiday season. In Gander, employees also collected food for the Gander Food Bank.

FINANCIAL STATEMENTS

NEWFOUNDLAND POWER INC.
BALANCE SHEETS
As At December 31
($000s)

	2011	2010 [1]
Capital Assets		
Property plant and equipment	1,268,271	1,212,810
Less: accumulated amortization	455,505	436,428
	812,766	776,382
Current Assets		
Cash	330	4,182
Accounts receivable	77,091	61,654
Materials and supplies	1,140	992
Prepaid expenses	1,084	1,327
Regulatory assets	18,041	11,536
Assets held for sale	-	44,698
	97,686	124,389
Accrued Pension	93,963	97,755
Regulatory Assets	181,859	181,454
Intangible Assets, net of amortization	14,582	15,310
Other Assets	1,527	1,647
Total Assets	**1,202,383**	**1,196,937**
Shareholders' Equity		
Common shares	70,321	70,321
Retained earnings	313,709	330,181
Common shareholder's equity	384,030	400,502
Preference shares	9,081	9,111
	393,111	409,613
Current Liabilities		
Accounts payable and accrued charges	72,514	56,712
Interest payable	7,470	7,557
Income tax payable	4,043	4,302
Current instalments of long-term debt	5,200	5,200
Future income taxes	2,992	3,211
	92,219	76,982
Future Income Taxes	125,402	125,877
Long-term Debt	470,260	470,282
Other Post Employment Benefits	56,255	52,559
Other Liabilities	4,473	4,253
Regulatory Liabilities	60,663	57,371
Total Shareholders' Equity and Liabilities	**1,202,383**	**1,196,937**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS
For The Periods Ended December 31
($000s)

	FOURTH QUARTER			ANNUAL		
	Actual 2011	**Plan 2011**	**Actual [1] 2010**	**Actual 2011**	**Plan 2011**	**Actual [1] 2010**
Revenue	156,122	155,314	151,644	573,072	560,567	555,355
Purchased Power	103,093	104,536	102,283	369,484	364,181	358,443
Contribution	53,029	50,778	49,361	203,588	196,386	196,912
Operating Expenses	16,177	13,805	13,263	56,615	53,291	53,830
Employee Future Benefits	5,143	4,620	2,124	20,569	18,407	8,381
Amortization	11,116	11,188	11,145	42,695	42,963	43,358
Cost Recovery Deferral	(591)	(600)	-	(2,363)	(2,400)	-
Amortization True-Up Deferral	-	-	966	-	-	3,862
Finance Charges	8,761	8,756	8,915	35,944	36,168	36,038
Earnings Before Income Taxes	12,423	13,009	12,948	50,128	47,957	51,443
Income Taxes	4,259	4,182	3,586	15,876	15,413	15,870
Net Earnings	8,164	8,827	9,362	34,252	32,544	35,573
Dividends on Preference Shares	142	142	142	567	568	568
Earnings Applicable to Common Shares	**8,022**	**8,685**	**9,220**	**33,685**	**31,976**	**35,005**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

NEWFOUNDLAND POWER INC.
STATEMENTS OF RETAINED EARNINGS
For The Periods Ended December 31
($000s)

	2011	2010
Balance, Beginning of the Year	330,181	310,864
Net Earnings	34,252	35,573
Dividends		
Preference Shares	(567)	(568)
Common Shares	(50,157)	(15,688)
Balance, End of the Year	**313,709**	**330,181**

NEWFOUNDLAND POWER INC.
STATEMENTS OF CASHFLOWS
For The Periods Ended December 31
($000s)

	2011	2010 [1]
Operating Activities		
Net earnings	34,252	35,573
Items not affecting cash:		
Amortization of property, plant and equipment	39,896	40,521
Amortization of intangibles and other	3,107	3,107
Change in long-term regulatory assets and liabilities	5,898	11,364
Future income taxes	(3,755)	(1,903)
Employee future benefits	7,717	216
Equity portion of AFUDC	(460)	(405)
Change in non-cash working capital	(6,610)	5,688
	80,045	94,161
Investing Activities		
Net proceeds from sale to Bell Aliant	44,735	-
Capital expenditures	(78,436)	(75,942)
Intangible asset expenditures	(2,071)	(2,034)
Contributions from customers	2,848	2,789
Other	111	156
	(32,813)	(75,031)
Financing Activities		
Net credit facilities borrowings (repayments)	5,000	1,500
Repayment of long-term debt	(5,200)	(5,200)
Proceeds from related party loan	25,000	-
Repayment of related party loan	(25,000)	-
Payment of debt financing costs	(130)	(300)
Redemption of preference shares	(30)	-
Dividends		
Preference shares	(567)	(568)
Common shares	(50,157)	(15,688)
	(51,084)	(20,256)
Decrease in Cash	(3,852)	(1,126)
Cash, Beginning of the Year	4,182	5,308
Cash, End of the Year	**330**	**4,182**

[1] Certain comparative figures have been reclassified to conform with current year presentation.

APPENDICES

NEWFOUNDLAND POWER INC.
ELECTRICITY STATISTICS
For The Periods Ended December 31

	FOURTH QUARTER		ANNUAL	
	2011	**2010**	**2011**	**2010**
Sales (GWh)				
Actual	1,504.1	1,384.3	5,466.7	5,176.6
Weather adjusted	1,526.6	1,488.2	5,552.8	5,419.0
Plan[1]	1,519.5		5,480.0	
Produced & Purchased (GWh)				
Actual	1,589.5	1,459.5	5,786.9	5,476.6
Weather adjusted	1,613.2	1,569.5	5,877.8	5,732.9
Plan[1]	1,610.1		5,805.3	
Hydro Production (GWh)				
Actual	108.3	121.9	469.0	462.2

[1] Based on Customer, Energy and Demand Forecast dated March 5, 2010.

NEWFOUNDLAND POWER INC.
STATEMENTS OF ELECTRICITY SOLD (GWh)
For The Periods Ended December 31

WEATHER ADJUSTED

	FOURTH QUARTER			ANNUAL		
BY SALES CATEGORY	**Actual 2011**	**Plan [1] 2011**	**Actual 2010**	**Actual 2011**	**Plan [1] 2011**	**Actual 2010**
Residential						
Residential	963.7	961.2	937.3	3,398.7	3,343.7	3,311.2
Residential - Seasonal	4.3	-	-	8.3	-	-
Total Residential	968.0	961.2	937.3	3,407.0	3,343.7	3,311.2
Commercial						
0-10 kW	24.5	24.1	24.1	93.7	90.7	92.5
10-100 kW	175.3	172.5	170.0	665.5	654.7	649.3
110-1000 kVA	242.2	244.1	243.7	927.7	923.7	910.6
1000 kVA and Over	105.3	106.5	101.7	422.4	431.5	419.2
Total Commercial	547.3	547.2	539.5	2,109.3	2,100.6	2,071.6
Street Lighting	11.3	11.1	11.4	36.5	35.7	36.2
Total Sales	**1,526.6**	**1,519.5**	**1,488.2**	**5,552.8**	**5,480.0**	**5,419.0**
BY REGION						
St. John's	756.2	751.4	731.9	2,736.9	2,698.2	2,670.3
Eastern [2]	320.0	317.9	314.5	1,175.6	1,161.4	1,146.8
Western [3]	450.4	450.2	441.8	1,640.3	1,620.4	1,601.9
Total Sales	**1,526.6**	**1,519.5**	**1,488.2**	**5,552.8**	**5,480.0**	**5,419.0**

[1] Based on Customer, Energy and Demand Forecast dated March 5, 2010.

[2] Eastern Region includes the Avalon, Burin and Clarenville operating areas.

[3] Western Region includes the Gander, Grand Falls - Windsor, Corner Brook and Stephenville operating areas.

NEWFOUNDLAND POWER INC.
STATEMENTS OF REVENUE
For The Periods Ended December 31
($000s)

WEATHER ADJUSTED

BY SALES CATEGORY	FOURTH QUARTER Actual 2011	FOURTH QUARTER Plan [1] 2011	FOURTH QUARTER Actual 2010	ANNUAL Actual 2011	ANNUAL Plan [1] 2011	ANNUAL Actual 2010
Residential						
Residential	96,249	96,345	92,984	343,775	338,853	332,664
Residential - Seasonal	454	-	-	834	-	-
Total Residential	96,703	96,345	92,984	344,609	338,853	332,664
Commercial						
0-10 kW	3,261	3,211	3,189	12,568	12,229	12,331
10-100 kW	17,838	17,721	17,184	67,341	66,611	65,291
110-1000 kVA	21,032	21,112	20,958	79,954	79,462	77,976
1000 kVA and Over	8,013	8,000	7,638	31,500	32,233	31,037
Total Commercial	50,144	50,044	48,969	191,363	190,535	186,635
Street Lighting	3,472	3,435	3,459	13,867	13,702	13,540
Forfeited Discounts	626	613	610	2,719	2,744	2,494
Revenue From Rates	**150,945**	**150,437**	**146,022**	**552,558**	**545,834**	**535,333**
Energy Supply Cost Variance [2]	2,458	2,297	1,013	6,896	4,354	2,213
Seasonal Rate Revenue Deferral [3]	20	-	-	70	-	-
Amortizations [4]						
Pension Expense Variance Deferral	720	288	(160)	2,888	1,161	(640)
OPEBs Expense Variance Deferral	51	-	-	195	-	-
2005 Unbilled Remaining Balance	-	-	1,153	-	-	4,618
Total Reported Revenue	**154,194**	**153,022**	**148,028**	**562,607**	**551,349**	**541,524**
Other Revenue	1,928	2,292	3,616	10,465	9,218	13,831
Total Operating Revenue	**156,122**	**155,314**	**151,644**	**573,072**	**560,567**	**555,355**

(1) Based on March 2010 sales forecast and rates effective January 1, 2011 as approved by Order No. P.U. 36(2010).
(2) Energy Supply Cost Variance as approved in Order No. P.U. 32(2007) and as approved for continued use in Order No. P.U. 43(2009).
(3) Seasonal Rate Revenue Deferral as approved in Order No. P.U. 8(2011).
(4) Revenue amortizations as approved in Order No. P.U. 32(2007), Order No. P.U. 43(2009) and Order No. P.U. 36(2010).

NEWFOUNDLAND POWER INC.
SUMMARY OF WEATHER ADJUSTMENTS
For The Periods Ended December 31
($000s)

	FOURTH QUARTER			ANNUAL		
REVENUE FROM ELECTRICITY SALES	**Actual 2011**	**Plan [1] 2011**	**Actual 2010**	**Actual 2011**	**Plan [1] 2011**	**Actual 2010**
Actual	149,045	150,437	137,280	545,315	545,834	514,888
Degree Day & Wind Adjustment	1,900	-	8,742	7,243	-	20,445
Weather Adjusted	**150,945**	**150,437**	**146,022**	**552,558**	**545,834**	**535,333**
Energy Supply Cost Variance [2]	2,458	2,297	1,013	6,896	4,354	2,213
Seasonal Rate Revenue Deferral [3]	20	-	-	70	-	-
Amortizations [4]						
Pension Expense Variance Deferral	720	288	(160)	2,888	1,161	(640)
OPEBs Expense Variance Deferral	51	-	-	195	-	-
2005 Unbilled Remaining Balance	-	-	1,153	-	-	4,618
Total Reported Revenue	**154,194**	**153,022**	**148,028**	**562,607**	**551,349**	**541,524**
PURCHASED POWER EXPENSE						
Actual	102,339	104,010	89,511	355,893	362,080	328,363
Degree Day & Wind Adjustment	2,089	-	9,677	8,006	-	22,568
Hydro Equalization Adjustment	(2,667)	-	2,010	1,681	-	4,506
Purchased Power Weather Adjusted	**101,761**	**104,010**	**101,198**	**365,580**	**362,080**	**355,437**
Demand Management Incentive Account [5]	805	-	576	1,802	-	994
Amortizations [6]						
Rattling Brook Deferral	-	-	148	-	-	598
PPUCVR Balance at Dec 31, 2006	-	-	(166)	-	-	(688)
Weather Normalization Reserve	527	526	527	2,102	2,101	2,102
Total Purchased Power Expense	**103,093**	**104,536**	**102,283**	**369,484**	**364,181**	**358,443**

(1) Based on March 2010 sales forecast and rates effective January 1, 2011 as approved by Order No. P.U. 36(2010).
(2) Energy Supply Cost Variance as approved in Order No. P.U. 32(2007) and as approved for continued use in Order No. P.U. 43(2009).
(3) Seasonal Rate Revenue Deferral as approved in Order No. P.U. 8(2011).
(4) Revenue amortizations as approved in Order No. P.U. 32(2007), Order No. P.U. 43(2009) and Order No. P.U. 36(2010).
(5) Demand Management Incentive Account as approved in Order No. P.U. 32(2007) and as approved for continued use in Order No. P.U. 43(2009).
(6) Amortizations as approved in Order No. P.U. 32(2007).

NEWFOUNDLAND POWER INC.
STATEMENTS OF EARNINGS - DETAIL
For The Periods Ended December 31
($000s)

	FOURTH QUARTER			ANNUAL		
	Actual 2011	Plan 2011	Actual 2010	Actual 2011	Plan 2011	Actual 2010
Other Revenue						
Joint Use Revenue						
Aliant	-	-	1,834	-	-	7,336
CATV	231	228	506	927	912	2,024
Total Joint Use Revenue	231	228	2,340	927	912	9,360
Miscellaneous						
Aliant Pole Sale	728	1,091	-	5,749	4,362	-
Customer Jobbing	184	188	194	738	720	492
Rental Income	10	7	-	29	25	10
Municipal Tax Liability	-	-	340	-	-	1,363
Interest - Customer Accounts	191	201	171	942	1,061	801
Interest - RSA	118	33	14	414	212	66
Interest - CIAC	23	30	25	92	125	100
Interest - Other	20	32	24	89	125	100
Reconnections	23	21	39	90	87	124
NSF Cheque Charges	6	9	7	30	40	32
Wheeling Charges	142	133	154	596	541	591
Miscellaneous	4	72	73	51	290	132
Service Connection Fees	67	65	68	258	255	255
Equity Portion of AFUDC	181	182	167	460	463	405
Total Miscellaneous	1,697	2,064	1,276	9,538	8,306	4,471
Total Other Revenue	**1,928**	**2,292**	**3,616**	**10,465**	**9,218**	**13,831**
Finance Charges						
Interest on Long-term Debt	8,785	8,786	8,887	35,444	35,444	35,850
Interest on Long-term Committed Credit Facility	90	(2)	110	672	593	316
Interest on Short-term Uncommitted Demand Facility	3	-	4	13	-	13
Amortization of Deferred Debt Issue Costs	47	74	47	190	290	190
Interest on Tax Return	1	-	-	7	-	-
Amortization of Capital Stock Issue Expenses	-	-	9	-	-	37
Interest on Security Deposits	2	-	1	10	-	5
Credit Facility Costs	33	-	16	118	-	42
Interest Charged to Construction	(200)	(102)	(159)	(510)	(159)	(415)
Total Finance Charges	**8,761**	**8,756**	**8,915**	**35,944**	**36,168**	**36,038**

NEWFOUNDLAND POWER INC.
CUSTOMER AND EMPLOYEE STATISTICS
As At December 31

	ANNUAL		
	Actual 2011	**Plan 2011**	**Actual 2010**
Customers	247,163	245,759	243,426
Employees [1]			
Regular	572	589	572
Temporary	68	58	69
Total	640	647	641

[1] Refers to full time equivalents.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY AREA
For The Periods Ended December 31

	SAIFI					SAIDI				
	QUARTER		12 MONTH TO DATE		5 YEAR	QUARTER		12 MONTH TO DATE		5 YEAR
AREA	2011 #	2010 #	2011 #	2010 #	TO DATE # / YEAR	2011 HOURS	2010 HOURS	2011 HOURS	2010 HOURS	TO DATE HRS. / YEAR
St. John's	0.38	0.51	1.52	2.89	2.27	0.55	0.45	2.18	12.23	4.84
Avalon	0.62	0.42	1.56	1.94	1.70	1.11	0.77	2.37	7.78	2.53
Burin	0.56	0.93	3.20	4.33	2.27	1.18	0.62	3.99	5.77	3.32
Bonavista	1.07	0.25	2.17	4.74	0.47	3.78	0.75	6.32	31.66	17.62
Gander	0.38	0.69	3.87	2.65	3.43	0.89	1.88	6.77	12.42	8.85
Grand Falls	0.86	1.00	2.93	4.52	2.34	3.60	1.97	6.86	4.73	7.02
Corner Brook	1.35	1.11	2.46	2.06	2.34	8.36	1.30	9.45	3.66	10.68
Stephenville	1.08	0.49	2.24	4.66	1.72	1.81	0.98	3.49	9.82	4.49
Company Totals	**0.65**	**0.61**	**2.09**	**2.69**	**2.05**	**1.95**	**0.89**	**4.09**	**13.82**	**6.86**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended December 31

ORIGIN	SAIFI QUARTER 2011 #	SAIFI QUARTER 2010 #	SAIFI 12 MONTH TO DATE 2011 #	SAIFI 12 MONTH TO DATE 2010 #	SAIFI 5 YEAR TO DATE # / YEAR
Loss of Supply (NF Hydro)	0.03	0.12	0.14	0.28	0.37
Transmission	0.14	0.11	0.48	0.87	0.33
Distribution	0.48	0.38	1.47	1.54	1.35
Company Totals	**0.65**	**0.61**	**2.09**	**2.69**	**2.05**

System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BY ORIGIN
For The Periods Ended December 31

ORIGIN	SAIDI QUARTER 2011 HOURS	SAIDI QUARTER 2010 HOURS	SAIDI 12 MONTH TO DATE 2011 HOURS	SAIDI 12 MONTH TO DATE 2010 HOURS	SAIDI 5 YEAR TO DATE HRS. / YEAR
Loss of Supply (NF Hydro)	0.00	0.04	0.06	0.40	0.21
Transmission	0.30	0.17	0.74	4.70	1.78
Distribution	1.65	0.68	3.29	8.72	4.87
Company Totals	**1.95**	**0.89**	**4.09**	**13.82**	**6.86**

System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

NEWFOUNDLAND POWER INC.
SERVICE CONTINUITY PERFORMANCE
BREAKDOWN REPORT
Fourth Quarter 2011

AREA	SCHEDULED		UNSCHEDULED		TOTAL	
	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS	SAIFI #	SAIDI HOURS
St. John's	0.04	0.05	0.34	0.50	0.38	0.55
Avalon	0.09	0.10	0.53	1.01	0.62	1.11
Burin	0.41	0.86	0.15	0.32	0.56	1.18
Bonavista	0.24	0.38	0.83	3.40	1.07	3.78
Gander	0.10	0.04	0.28	0.85	0.38	0.89
Grand Falls	0.08	0.23	0.78	3.37	0.86	3.60
Corner Brook	0.10	0.22	1.25	8.14	1.35	8.36
Stephenville	0.06	0.16	1.02	1.65	1.08	1.81
Company Totals	**0.09**	**0.14**	**0.55**	**1.81**	**0.64**	**1.95**

NOTES:

1. System Average Interruption Frequency Index (SAIFI) is the average number of interruptions per customer. It is calculated by dividing the number of customers that have experienced an outage by the total number of customers in an area.

2. System Average Interruption Duration Index (SAIDI) is the average interruption duration per customer. It is calculated by dividing the number of customer-outage-hours (e.g., a two hour outage affecting 50 customers equals 100 customer-outage-hours) by the total number of customers in an area.

3. SAIFI and SAIDI numbers include loss of supply from Newfoundland and Labrador Hydro.

NEWFOUNDLAND POWER INC.

CAPITAL EXPENDITURE PROGRESS REPORT

For the Period Ended December 31, 2011

Introduction

The Capital Expenditure Progress Report summarizes the capital expenditures of the various capital accounts of the Company and lists any new lease obligations in excess of $5,000 per year.

The report contains three sections:

1. The Budget section outlines the annual capital expenditure budget approved by the Public Utilities Board for the current year.

2. The Expenditure section outlines actual capital expenditures for the current quarter and the total actual capital expenditures for the year, and indicates any variance between the annual budget and actual expenditures.

3. The Leasing Arrangement section includes a brief description of the item being leased, the leasing period, and the annual and quarterly leasing costs.

NEWFOUNDLAND POWER INC.
CAPITAL EXPENDITURE PROGRESS REPORT
For the Period Ended December 31, 2011
($000s)

	BUDGET	EXPENDITURE [1]		
	Approved by Order No. P.U. 28(2010), P.U. 8(2011) and P.U. 11(2011)	Fourth Quarter	Annual 2011	Variance
Generation Hydro	9,496	4,036	8,576	(920)
Generation Thermal	268	150	252	(16)
Substations	11,647	3,478	10,527	(1,120)
Transmission	4,745	1,790	3,389	(1,356)
Distribution	36,842	10,966	38,210	1,368
General Property	1,792	690	1,757	(35)
Transportation	2,254	285	2,272	18
Telecommunications	572	54	109	(463)
Information Systems	3,728	995	3,699	(29)
Unforeseen Items	750	305	305	(445)
General Expenses Capital	2,800	825	3,750	950
TOTAL	74,894	23,574	72,846	(2,048)

Leasing Arrangements Entered Into			
Brief Description	**Period**	**Annual Cost**	**Quarterly Payments**
	There were no lease obligations in excess of $5,000 annually entered into during the fourth quarter of 2011.		

[1] Excludes capital expenditures of approximately $3,325,000 related to prior years capital projects carried forward into 2011.

NEWFOUNDLAND POWER INC.

INTER-COMPANY TRANSACTIONS REPORT

For the Period Ended December 31, 2011

Introduction

The Inter-Company Transactions Report summarizes transactions between the Company and related corporations on a quarterly and year-to-date basis. The report itemizes the charges by type and distinguishes between regulated and non-regulated charges. The report also documents any contracts, agreements or loans between Newfoundland Power and any related corporation that were signed in the current quarter.

The report is divided into four sections as follows:

1. The first section aggregates charges from all related corporations and presents a summary, by charge type, for the current quarter and the same period last year, as well as comparable annual charges for the previous year.

2. The second section breaks down the charges ***from*** each individual associated corporation and presents an itemized quarterly summary for the current year and the same period last year, as well as comparable annual charges for the previous year.

3. The third section breaks down the charges ***to*** each individual associated corporation and presents an itemized quarterly summary for the current year and the same period last year, as well as comparable annual charges for the previous year.

4. The fourth section lists any contracts or agreements that were signed between the Company and any related corporation as well as any loans with related corporations. Loan information provided includes the amount of the loan, the date of borrowing and date of repayment, the interest rate, and total interest paid.

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Summary of Charges
For the Period Ended December 31, 2011

Charges from Associated Companies

Regulated Charges	Fourth Quarter 2011	Fourth Quarter 2010	Annual 2011	Annual 2010
Trustee & Share Plan Costs	$ 18,000	$ 9,000	$ 51,000	$ 45,000
Hotel/Banquet Facilities	20,348	51,463	37,387	67,196
Staff Charges	-	104,933	4,805	151,132
Joint-use Pole Purchases	47	9,582	11,566	13,512
Miscellaneous	1,410	6,495	25,961	41,504
Sub-total	$ 39,805	$ 181,473	$ 130,719	$ 318,344

Non-Regulated Charges	Fourth Quarter 2011	Fourth Quarter 2010	Annual 2011	Annual 2010
Directors' Fees & Travel	$ 44,000	$ 92,000	$ 200,000	$ 263,000
Annual & Quarterly Reports	45,000	(1,000)	117,000	89,000
Hotel/Banquet Facilities	-	-	-	2,416
Staff Charges	163,000	157,000	574,000	352,000
Miscellaneous	128,000	39,000	711,265	697,877
Sub-total	$ 380,000	$ 287,000	$ 1,602,265	$ 1,404,293
TOTAL	$ 419,805	$ 468,473	$ 1,732,984	$ 1,722,637

Charges to Associated Companies

	Fourth Quarter 2011	Fourth Quarter 2010	Annual 2011	Annual 2010
Printing & Stationery	$ 82	$ 177	$ 678	$ 401
Postage	4,971	4,275	22,263	20,851
Staff Charges	65,075	70,469	476,023	583,381
Staff Charges - Insurance	86,082	90,209	264,002	269,604
IS Charges	21,543	21,544	21,543	21,544
Pole Installations	4,488	3,107	20,191	23,976
Miscellaneous	83,758	10,752	108,893	36,607
TOTAL	$ 265,999	$ 200,533	$ 913,593	$ 956,364

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended December 31, 2011

	Fourth Quarter 2011			Fourth Quarter 2010		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.						
Directors' Fees & Travel	$ -	$ 44,000	$ 44,000	$ -	$ 92,000	$ 92,000
Annual & Quarterly Reports	-	45,000	45,000	-	(1,000)	(1,000)
Trustee & Share Plan Costs	18,000	-	18,000	9,000	-	9,000
Staff Charges	-	163,000	163,000	-	157,000	157,000
Joint-use Pole Purchases	47	-	47	9,582	-	9,582
Miscellaneous	-	128,000	128,000	3,529	39,000	42,529
Total	$ 18,047	$ 380,000	$ 398,047	$ 22,111	$ 287,000	$ 309,111
Fortis Properties Corporation						
Hotel/Banquet Facilities	$ 20,348	$ -	$ 20,348	$ 51,463	$ -	$ 51,463
Total	$ 20,348	$ -	$ 20,348	$ 51,463	$ -	$ 51,463
Maritime Electric Co. Ltd.						
Staff Charges	$ -	$ -	$ -	$ 40,019	$ -	$ 40,019
Miscellaneous	1,410	-	1,410	2,966	-	2,966
Total	$ 1,410	$ -	$ 1,410	$ 42,985	$ -	$ 42,985
FortisAlberta Inc.						
Staff Charges	$ -	$ -	$ -	$ 64,914	$ -	$ 64,914
Total	$ -	$ -	$ -	$ 64,914	$ -	$ 64,914

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges From Associated Companies
For the Period Ended December 31, 2011

	Annual 2011			Annual 2010		
	Regulated	Non Regulated	Total	Regulated	Non Regulated	Total
Fortis Inc.						
Directors' Fees and Travel	$ -	$ 200,000	$ 200,000	$ -	$ 263,000	$ 263,000
Annual & Quarterly Reports	-	117,000	117,000	-	89,000	89,000
Trustee & Share Plan Costs	51,000	-	51,000	45,000	-	45,000
Staff Charges	-	574,000	574,000	-	352,000	352,000
Joint-use Pole Purchases	11,566	-	11,566	13,512	-	13,512
Miscellaneous	7,629	711,265	718,894	12,493	697,877	710,370
Total	$ 70,195	$ 1,602,265	$ 1,672,460	$ 71,005	$ 1,401,877	$ 1,472,882
Fortis Properties Corporation						
Hotel/Banquet Facilities	$ 37,387	$ -	$ 37,387	$ 67,196	$ 2,416	$ 69,612
Miscellaneous	8,029	-	8,029	11,814	-	11,814
Total	$ 45,416	$ -	$ 45,416	$ 79,010	$ 2,416	$ 81,426
Maritime Electric Co. Ltd.						
Staff Charges	$ -	$ -	$ -	$ 86,218	$ -	$ 86,218
Miscellaneous	9,211	-	9,211	7,338	-	7,338
Total	$ 9,211	$ -	$ 9,211	$ 93,556	$ -	$ 93,556
FortisAlberta Inc.						
Staff Charges	$ 4,805	$ -	$ 4,805	$ 64,914	$ -	$ 64,914
Total	$ 4,805	$ -	$ 4,805	$ 64,914	$ -	$ 64,914
FortisBC Inc.						
Miscellaneous	$ 1,092	$ -	$ 1,092	$ 9,859	$ -	$ 9,859
Total	$ 1,092	$ -	$ 1,092	$ 9,859	$ -	$ 9,859

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended December 31, 2011

	Fourth Quarter 2011	Fourth Quarter 2010	Annual 2011	Annual 2010
Fortis Inc.				
Postage	$ 4,971	$ 4,275	$ 22,263	$ 20,851
Staff Charges	51,229	57,169	299,786	500,948
Staff Charges - Insurance	60,515	65,963	179,005	213,164
Pole Installations	4,488	3,107	20,191	23,976
Miscellaneous	83,308	5,389	92,974	8,747
Total	$ 204,511	$ 135,903	$ 614,219	$ 767,686
Fortis Properties Corporation				
Printing & Stationery	$ 82	$ 177	$ 678	$ 401
Staff Charges	-	-	-	1,247
Staff Charges - Insurance	9,487	5,610	37,042	23,303
Miscellaneous	400	-	2,147	9,745
Total	$ 9,969	$ 5,787	$ 39,867	$ 34,696
Maritime Electric Co. Ltd.				
Staff Charges	$ 1,336	$ 569	$ 16,296	$ 2,312
Staff Charges - Insurance	285	369	2,693	1,346
IS Charges	4,787	3,351	4,787	3,351
Miscellaneous	-	-	550	580
Total	$ 6,408	$ 4,289	$ 24,326	$ 7,589
FortisOntario Inc.				
Staff Charges	$ 4,431	$ -	$ 7,065	$ -
Staff Charges - Insurance	310	716	1,622	4,417
IS Charges	3,351	4,788	3,351	4,788
Miscellaneous	-	-	360	360
Total	$ 8,092	$ 5,504	$ 12,398	$ 9,565
Fortis US Energy Corporation				
Staff Charges - Insurance	$ 762	$ -	$ 2,581	$ -
Total	$ 762	$ -	$ 2,581	$ -
Belize Electric Company Limited				
Staff Charges	$ -	$ 9,891	$ -	$ 37,456
Staff Charges - Insurance	108	1,134	432	1,134
Total	$ 108	$ 11,025	$ 432	$ 38,590

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Charges To Associated Companies
For the Period Ended December 31, 2011

	Fourth Quarter 2011	Fourth Quarter 2010	Annual 2011	Annual 2010
Belize Electricity Limited				
Staff Charges	$ -	$ 804	$ -	$ 3,739
Staff Charges - Insurance	-	6,153	1,296	8,043
Miscellaneous	-	5,044	1,176	5,177
Total	$ -	$ 12,001	$ 2,472	$ 16,959
FortisAlberta Inc.				
Staff Charges	$ -	$ -	$ 18,219	$ -
Staff Charges - Insurance	972	162	3,365	540
Miscellaneous	-	-	3,120	2,990
Total	$ 972	$ 162	$ 24,704	$ 3,530
FortisBC Inc.				
Staff Charges - Insurance	$ 324	$ 443	$ 5,869	$ 1,410
IS Charges	13,405	13,405	13,405	13,405
Miscellaneous	13	9	1,944	1,919
Total	$ 13,742	$ 13,857	$ 21,218	$ 16,734
FortisBC Holdings Inc.				
Staff Charges	$ -	$ -	$ 10,215	$ -
Staff Charges - Insurance	270	-	2,983	540
Miscellaneous	37	8	6,547	6,212
Total	$ 307	$ 8	$ 19,745	$ 6,752
Caribbean Utilities Co. Limited				
Staff Charges	$ 5,045	$ -	$ 6,938	$ -
Staff Charges - Insurance	10,079	4,968	21,168	7,452
Total	$ 15,124	$ 4,968	$ 28,106	$ 7,452
Fortis Turks and Caicos				
Staff Charges	$ 3,034	$ 2,036	$ 117,504	$ 37,679
Staff Charges - Insurance	2,970	4,691	5,946	8,255
Miscellaneous	-	302	75	877
Total	$ 6,004	$ 7,029	$ 123,525	$ 46,811

NEWFOUNDLAND POWER INC.
INTER-COMPANY TRANSACTIONS REPORT
Agreements With Associated Companies
For the Period Ended December 31, 2011

No loans or agreements with related companies were entered into during the quarter ending December 31, 2011.

NEWFOUNDLAND POWER INC.

CUSTOMER PROPERTY DAMAGE CLAIMS REPORT

For the Quarter Ending December 31, 2011

Introduction

The Customer Property Damage Claims Report contains an overview of all damage claims activity summarized on a quarterly basis. The information contained in the report is broken down by cause as well as by the operating region where the claims originated.

The report is divided into four sections as follows:

1. The first section indicates the number of claims received during the quarter coupled with claims outstanding from the previous quarter.

2. The second section shows the number of claims for which the Company has accepted responsibility and the amount paid to claimants versus the amount originally claimed.

3. The third section shows the number of claims rejected and the dollar value associated with those claims.

4. The fourth section indicates those claims that remain outstanding at the end of the current quarter and the dollar value associated with such claims.

Overview - Fourth Quarter

The total number of damage claims received during the fourth quarter of 2011 was similar to the number of claims received during the same period in 2010. In the quarter an increase in the number of claims reported under Equipment Failure was partially offset by a decrease in the Miscellaneous category.

Please note that the number of claims outstanding from the last quarter has been reduced by two as a result of claims being withdrawn by customers. One claim was originally reported in the Improper Workmanship category in the Eastern Region while a second claim was reported in the Miscellaneous category in the Western Region. The new total of outstanding damage claims is 27, down from 29 as reported in the summary for the quarter ending September 2011.

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Cause

For the Quarter Ending December 31, 2011

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	1	1	2	-	$ -	$ -	1	$ 339	1	$ 400
Power Interruptions	-	-	-	-	-	-	-	-	-	-
Improper Workmanship	6	6	12	3	7,425	5,137	-	-	9	18,418
Weather Related	-	1	1	1	3,559	1,780	-	-	-	-
Equipment Failure	31	13	44	24	37,986	27,880	1	4,000	19	18,100
Third Party	-	1	1	1	836	836	-	-	-	-
Miscellaneous	12	5	17	9	14,105	13,324	-	-	8	6,218
Total	**50**	**27**	**77**	**38**	**$ 63,911**	**$ 48,957**	**2**	**$ 4,339**	**37**	**$ 43,136**

For the Quarter Ending December 31, 2010

Cause	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
System Operations	3	1	4	3	$ 1,497	$ 797	1	$ 700	-	$ -
Power Interruptions	-	2	2	2	2,185	1,865	-	-	-	-
Improper Workmanship	7	5	12	7	11,368	6,722	-	-	5	15,250
Weather Related	-	-	-	-	-	-	-	-	-	-
Equipment Failure	21	9	30	21	23,692	15,738	-	-	9	6,500
Third Party	-	1	1	-	-	-	-	-	1	500
Miscellaneous	18	3	21	15	11,258	10,688	1	300	5	5,650
Total	**49**	**21**	**70**	**48**	**$ 50,000**	**$ 35,810**	**2**	**$ 1,000**	**20**	**$ 27,900**

NEWFOUNDLAND POWER INC.
CUSTOMER PROPERTY DAMAGE CLAIMS REPORT
By Region

For the Quarter Ending December 31, 2011

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
St. John's Region	12	17	29	14	$ 31,730	$ 25,841	-	$ -	15	$ 17,125
Eastern Region[1]	12	2	14	7	13,200	7,742	1	4,000	6	7,062
Western Region[2]	26	8	34	17	18,981	15,374	1	339	16	18,949
Total	**50**	**27**	**77**	**38**	**$ 63,911**	**$ 48,957**	**2**	**$ 4,339**	**37**	**$ 43,136**

For the Quarter Ending December 31, 2010

Region	Number Received	Outstanding Last Quarter	Total	Claims Accepted			Claims Rejected		Claims Outstanding	
				Number	Amt. Claimed	Amt. Paid	Number	Amount	Number	Amount
St. John's Region	12	10	22	11	$ 7,415	$ 5,545	2	$ 1,000	9	$ 19,950
Eastern Region[1]	15	7	22	16	19,264	11,488	-	-	6	4,250
Western Region[2]	22	4	26	21	23,321	18,777	-	-	5	3,700
Total	**49**	**21**	**70**	**48**	**$ 50,000**	**$ 35,810**	**2**	**$ 1,000**	**20**	**$ 27,900**

[1] Eastern Region includes Avalon, Burin and Clarenville operating areas

[2] Western Region includes Gander, Grand Falls - Windsor, Corner Brook and Stephenville operating areas

Definitions of Causes of Damage Claims

1. **System Operations:** Claims arising from system operations. Examples include normal reclosing or switching.

2. **Power Interruptions:** Claims arising from interruption of power supply. Examples include all scheduled or unscheduled interruptions.

3. **Improper Workmanship:** Claims arising from failure of electrical equipment caused by improper workmanship or methods. Examples include improper crimping of connections, insufficient sealing and taping of connections, improper maintenance, inadequate clearance, or improper operation of equipment.

4. **Weather Related:** Claims arising from weather conditions. Examples include wind, rain, ice, lightning, or corrosion caused by weather.

5. **Equipment Failure:** Claims arising from failure of electrical equipment not caused by improper workmanship. Examples include broken neutrals, broken tie wires, transformer failure, insulator failure or broken service wire.

6. **Third Party:** Claims arising from equipment failure caused by acts of third parties. Examples include motor vehicle accidents and vandalism.

7. **Miscellaneous:** All claims not related to electrical service.

NEWFOUNDLAND POWER INC.

CONTRIBUTION IN AID OF CONSTRUCTION
QUARTERLY ACTIVITY REPORT

For the Quarter Ending December 31, 2011

The table below summarizes Contribution In Aid of Construction (CIAC) activity for the fourth quarter of 2011. The table is divided into three sections. The first section identifies the type of service for which a CIAC has been calculated. Services are categorized as Domestic (located within a Residential Planning Area), Domestic (located outside a Residential Planning Area) or General Service.

The second section indicates the number of CIACs quoted during the quarter as well as the number of CIAC quotes that remained outstanding at the end of the previous quarter. This format facilitates a reconciliation of the total number of CIACs that were active during the quarter.

The third section provides information as to the disposition of the total CIACs quoted. A CIAC is considered Accepted when a customer indicates they wish to proceed with construction of the extension and has agreed to pay any charge that may be applicable. A CIAC is considered Outdated after six months has elapsed and the customer has not indicated their intention to proceed with the extension. A quoted CIAC is Outstanding if it is neither Accepted nor Outdated.

Type of Service	CIACs Quoted	CIACs Outstanding Previous Qtr.	Total CIACs Quoted	CIACs Accepted	CIACs Outdated	Total CIACs Outstanding
Domestic						
- Within Planning Area	25	20	45	21	6	18
- Outside Planning Area	31	45	76	20	19	37
	56	65	121	41	25	55
General Service	28	10	38	18	4	16
Total	84	75	159	59	29	71

The table on pages 2 to 4 of the report provides specific information for the 84 CIACs quoted to customers during the period October 1, 2011 to December 31, 2011. Both the CIAC amounts quoted and the Estimated Construction Costs exclude HST.

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Fourth Quarter 2011

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (within Residential Planning Area)				
10/7/2011	2011-20-205	1,320.00	4,230.00	Yes
10/7/2011	2011-51-123	4,230.00	7,230.00	
10/17/2011	2011-10-176	1,710.00	4,260.00	Yes
10/21/2011	2011-20-206	1,050.00	3,600.00	Yes
10/21/2011	2011-20-209	690.00	3,240.00	
10/21/2011	2011-20-210	4,630.00	7,180.00	
10/28/2011	2011-20-211	2,450.00	5,600.00	
11/1/2011	2011-40-127	870.00	3,420.00	
11/3/2011	2011-20-212	630.00	3,180.00	
11/9/2011	2011-20-216	1,220.00	4,220.00	Yes
11/15/2011	2011-40-126	1,740.00	4,890.00	Yes
11/21/2011	2011-20-217	1,200.00	3,750.00	Yes
11/21/2011	2011-20-221	900.00	3,450.00	Yes
11/22/2011	2011-20-218	1,425.00	3,975.00	
11/22/2011	2011-20-222	285.00	2,835.00	
11/22/2011	2011-50-145	351.50	2,901.50	Yes
12/5/2011	2011-10-196	620.00	3,620.00	
12/8/2011	2011-31-109	2,190.00	4,740.00	Yes
12/13/2011	2011-20-219	1,650.00	4,200.00	
12/13/2011	2011-20-235	1,260.00	3,810.00	
12/16/2011	2011-30-132	8,794.00	11,344.00	Yes
12/20/2011	2011-20-227	2,640.00	6,090.00	Yes
12/20/2011	2011-20-236	1,850.00	4,400.00	
12/21/2011	2011-10-173	1,454.00	4,484.00	
12/21/2011	2011-40-129	6,500.00	9,050.00	
DOMESTIC (outside Residential Planning Area)				
10/3/2011	2011-41-119	5,435.86	6,185.86	Yes
10/4/2011	2011-20-202	2,207.42	2,957.42	Yes
10/5/2011	2011-51-118	1,622.08	2,372.08	Yes
10/19/2011	2011-31-107	129,234.00	169,134.00	
10/20/2011	2011-30-124	4,331.29	5,081.29	Yes
10/21/2011	2011-20-208	1,200.00	2,550.00	
10/24/2011	2011-10-170	720.00	1,920.00	Yes
10/24/2011	2011-10-178	2,196.88	2,948.88	
10/27/2011	2011-50-143	2,961.54	3,711.54	Yes
10/31/2011	2011-10-158	8,880.00	9,630.00	

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Fourth Quarter 2011

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
DOMESTIC (outside Residential Planning Area)				
10/31/2011	2011-10-177	2,108.83	2,858.83	Yes
10/31/2011	2011-10-184	1,290.00	2,490.00	Yes
11/1/2011	2011-20-213	2,595.10	3,345.10	
11/10/2011	2011-30-126	2,607.42	3,357.42	Yes
11/21/2011	2011-10-142	3,628.89	4,378.89	
11/21/2011	2011-20-220	5,670.00	6,720.00	
11/21/2011	2011-20-223	2,595.10	3,345.10	
11/21/2011	2011-20-224	1,500.00	2,850.00	Yes
11/21/2011	2011-20-225	1,650.00	2,400.00	Yes
11/22/2011	2011-10-169	6,063.25	6,813.25	
11/22/2011	2011-10-188	3,372.00	4,122.00	Yes
11/24/2011	2011-20-226	5,101.43	5,851.43	Yes
11/30/2011	2011-20-229	3,014.30	3,764.30	
11/30/2011	2011-20-230	3,014.30	3,764.30	
11/30/2011	2011-20-231	2,807.82	3,557.82	
11/30/2011	2011-20-232	2,807.82	3,557.82	
11/30/2011	2011-50-147	2,680.00	3,880.00	
12/10/2011	2011-30-130	4,331.29	5,081.29	
12/13/2011	2011-20-234	720.00	1,470.00	
12/21/2011	2011-40-102	49,160.00	63,260.00	
12/21/2011	2011-40-133	4,875.00	5,625.00	
General Service				
10/6/2011	2011-41-120	4,800.00	5,970.00	
10/13/2011	2011-20-197	1,260.00	4,110.00	
10/13/2011	2011-50-138	6,705.00	12,505.00	Yes
10/13/2011	2011-50-139	2,415.00	10,148.65	Yes
10/19/2011	2011-20-207	2,790.00	5,340.00	
10/24/2011	2011-10-164	12,018.96	19,093.96	
10/24/2011	2011-10-179	3,215.00	9,975.00	Yes
10/27/2011	2011-50-140	7,550.00	10,100.00	Yes
10/31/2011	2011-10-183	9,277.00	16,445.00	Yes
11/10/2011	2011-30-127	1,970.00	4,520.00	
11/15/2011	2011-41-121	1,999.80	10,965.00	Yes
11/15/2011	2011-41-122	193.40	10,200.00	Yes
11/17/2011	2011-20-214	6,870.00	13,120.00	
11/17/2011	2011-20-215	12,875.50	25,999.50	
11/22/2011	2011-10-191	1,370.25	9,930.00	
11/23/2011	2011-10-186	5,390.00	7,940.00	Yes
11/25/2011	2011-40-123	14,371.00	22,070.00	Yes
11/25/2011	2011-40-124	3,320.00	5,870.00	Yes

NEWFOUNDLAND POWER INC.
CIAC QUARTERLY ACTIVITY REPORT
Fourth Quarter 2011

Date Quoted	CIAC No.	CIAC Amount ($)	Estimated Const. Cost ($)	Accepted
GENERAL SERVICE				
11/30/2011	2011-50-148	3,899.60	10,335.00	Yes
12/1/2011	2011-20-228	2,580.00	7,680.00	Yes
12/2/2011	2011-10-174	1,034.00	3,584.00	Yes
12/5/2011	2011-10-181	12,297.20	19,135.00	
12/5/2011	2011-10-197	1,079.00	8,985.00	Yes
12/13/2011	2011-10-187	707.25	9,118.05	
12/19/2011	2011-40-128	1,363.00	12,140.00	
12/20/2011	2011-10-189	2,600.00	9,210.00	
12/20/2011	2011-10-190	4,625.00	10,695.00	
12/20/2011	2011-10-195	680.00	3,230.00	

NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
P.O. Box 8910
St. John's, NL A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

March 30, 2012

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies & Gentlemen:

Please find enclosed the original and twelve copies of Newfoundland Power Inc.'s Annual Report to the Board for 2011, filed pursuant to section 59(2) of the *Public Utilities Act*.

For the 2011 report, Return 19 has been modified to reflect the operation of the Pension Expense Variance Deferral Account and the OPEBs Cost Variance Deferral Account. In 2010, Return 19 reported on the operation of the Purchased Power Unit Cost Variance Reserve (the "PPUCVR"). The balance in the PPUCVR, which reserve no longer exists, was fully amortized as of December 31st, 2010.

I trust the enclosed is found to be in order; however, should you have any questions, please contact the undersigned at the direct number noted below.

Yours very truly,

Gerard M. Hayes
Senior Counsel

Enclosures

c. Geoffrey Young
Newfoundland and Labrador Hydro

2011 Annual Report

NEWFOUNDLAND POWER
A FORTIS COMPANY

About Us

Newfoundland Power Inc. (“Newfoundland Power”) operates an integrated generation, transmission and distribution system throughout the island portion of Newfoundland and Labrador.

For over 125 years, we have provided customers with safe, reliable electricity in the most cost-efficient manner possible. Our Company serves over 247,000 customers, 87% of all electricity consumers in the province.

Our employees continue to provide our customers with the service they expect and deserve in an environmentally and socially responsible manner.

Our vision is to be a leader among North American electric utilities in terms of safety, reliability, customer service and efficiency.

All the common shares of Newfoundland Power are owned by Fortis Inc. (“Fortis”) (TSX:FTS), the largest investor-owned distribution utility in Canada, which serves approximately 2,000,000 gas and electricity customers, and has assets exceeding $13 billion.

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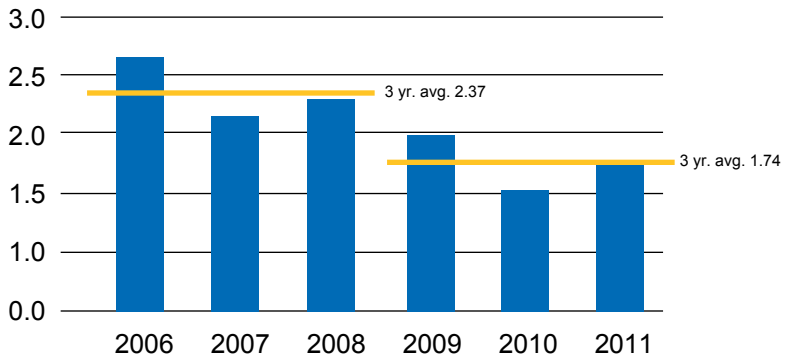
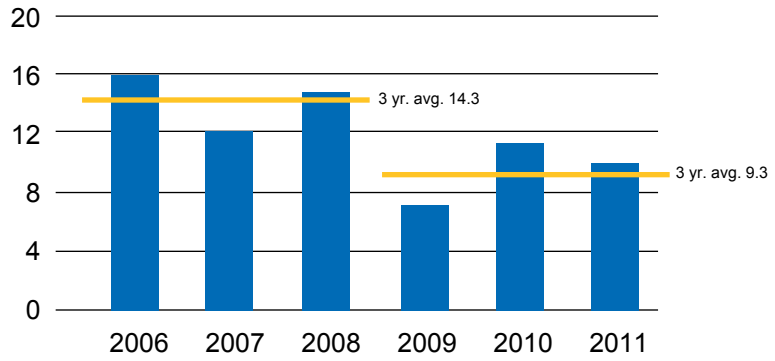
RELIABILITY
Outages per Customer (#)

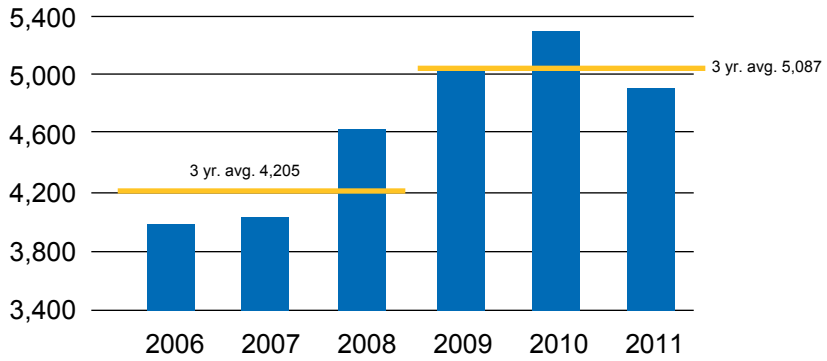


* Excluding major storms and PCB legislative requirements.

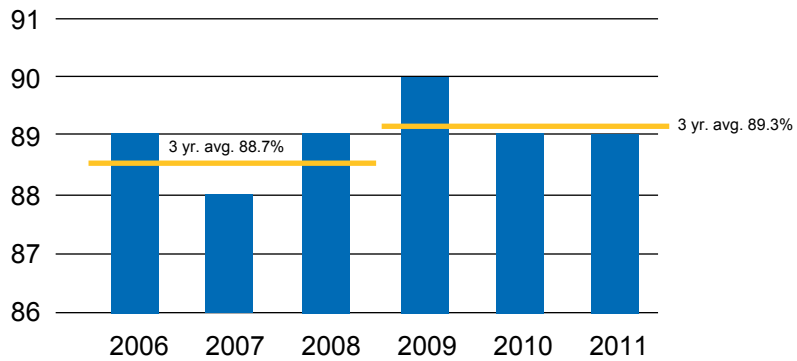
SAFETY
Lost Time/Medical Aid Injuries (#)



GROWTH
Gross Customer Connections (#)

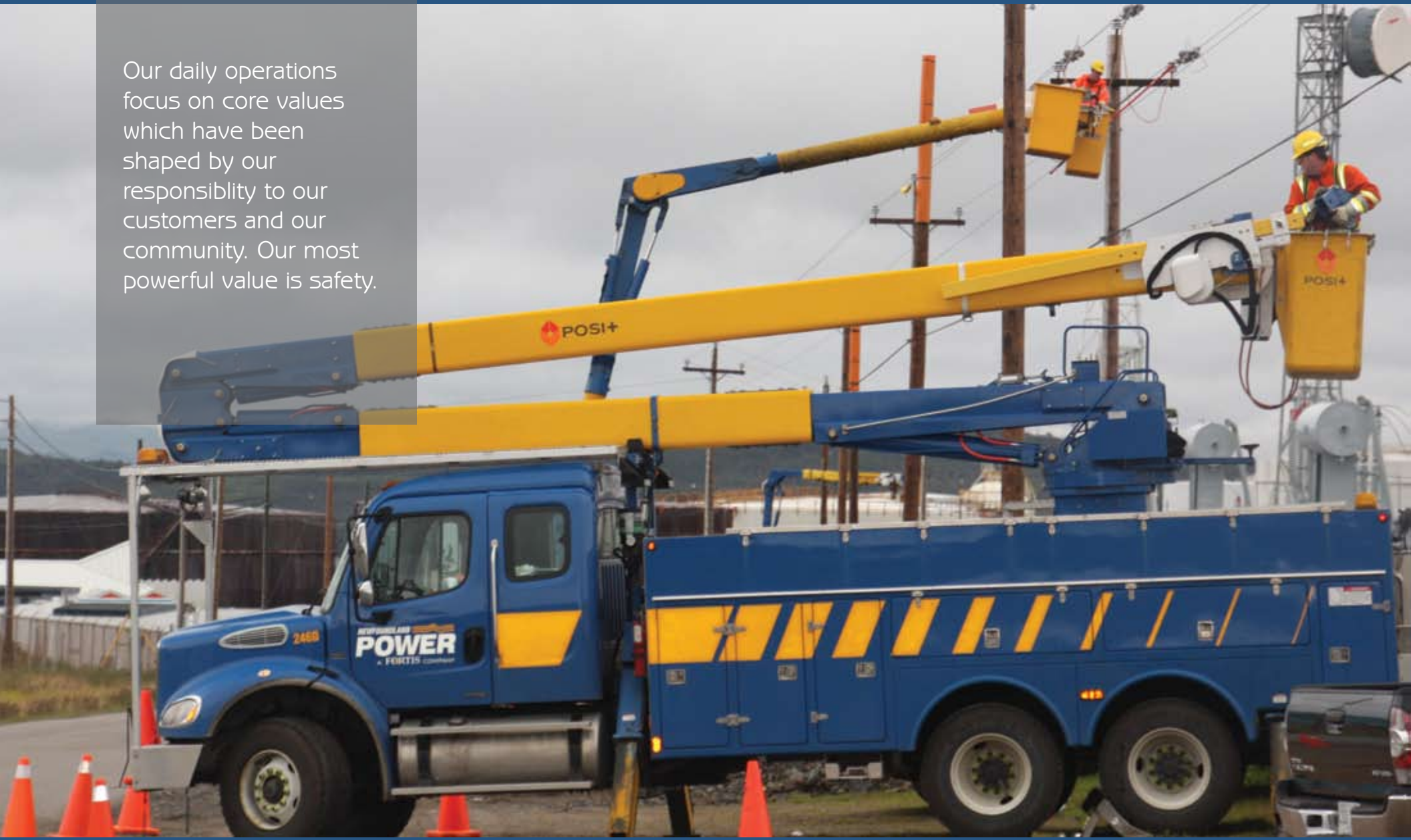


CUSTOMER SERVICE
Customer Satisfaction Rating (%)



Highlights

Financial	2011	2010
Revenue *($000s)*	573,072	555,355
Property, Plant and Equipment *($000s)*	1,268,305	1,212,810
Long-term Debt *($000s)*	478,488	478,688
Common Shareholders' Equity *($000s)*	384,030	400,502
Earnings Applicable to Common Shares *($000s)*	33,685	35,005
Earnings per Common Share *($)*	3.26	3.39
Operating		
Customers *(#)*	247,163	243,426
Customer Satisfaction Rating *(%)*	89	89
Generating Capacity *(MW)*	140.4	140.4
Transmission and Distribution Lines *(km)*	11,235	11,072
Substations *(#)*	130	130
Peak Demand *(MW)*	1,166	1,206
Electricity Sales *(GWh)*	5,553	5,419



Our daily operations focus on core values which have been shaped by our responsiblity to our customers and our community. Our most powerful value is safety.

Report to Shareholders

Our employees are dedicated to incorporating the Company's corporate values into their daily operations. We take our commitment to safety, reliability, customer service, our environment and community outreach very seriously. Our 89% annual customer satisfaction rating indicates our customers are supportive of the job we do.

Reminding the public to be safe around electricity and warning of potential electrical hazards were among our top priorities in 2011. We introduced a new television campaign featuring scenarios involving operating heavy equipment and managing vegetation growth near power lines.

We introduced a new recognition program for employees who have demonstrated a commitment to safety. Throughout the year, twelve employees were recognized for their outstanding safety contributions. To improve safety performance in field operations, we dedicated health and safety personnel to complete a series of assessments and action plans at our locations across the island.

Contractor safety also continues to be a focus for the Company. We worked on strengthening our relationship with contractor owners, as well as increasing the effectiveness of job planning meetings and completing a higher number of personal worksite inspections and observations. An external audit of our Health and Safety Management System in 2011 confirmed our continued compliance with the OHSAS 18001 Health and Safety Management System international standard.

We sustained damage to our electricity system in December as a result of a major wind storm. High winds left approximately 41,000 customers without power across the island, with the majority of customers affected in the Corner Brook, Grand Falls-Windsor and Bonavista Peninsula areas. Crews from across the island worked to restore power in the safest, most efficient way possible.

We invested approximately $76.2 million in capital expenditures, excluding retirements, throughout the year. This included 40% to connect approximately 5,000 new customers to the electricity system and accommodate growth; and, 60% to maintain our system's reliability.

Over the past five years, we have invested more than $350 million toward improving reliability across the province. These investments have benefitted our customers through an approximate 30% decrease in the number of outages per customer over the same period. The average length

of outages experienced by our customers in 2011 remained consistent with our reliability performance in 2010.

New technologies have resulted in several efficiencies in the delivery of customer service excellence. Implementation of mobile computing devices provides field employees with real time access to operational procedures, and optimizes the way we do planned work and respond to outages.

We also introduced a new mobile website for smart phone users and several new online self service options for customers. Our continued advancement of electronic communications has resulted in more than 2.8 million electronic interactions with our customers in 2011.

Our residential customers now have options when it comes to electricity rates. Our new Seasonal Rate offers residential customers the option to pay less for the electricity used in summer than winter months. We also began a two-year pilot project to investigate offering a Time of Day electricity rate which could result in savings for customers who alter their electricity usage patterns.

Our energy efficiency efforts through takeCHARGE have helped to achieve overall savings of 12.1 GWh for 2011. An external audit of the Company's Environmental Management System verified our continued compliance with the ISO 14001 international standard. The audit confirmed our facilities are well-maintained and that employees continue to demonstrate a commitment to working in an environmentally responsible manner.

We unveiled a new logo for our corporate charity, *The Power of Life Project*. Thanks to the support of our customers and employees, we are making a difference in cancer care here at home. From cancer treatment equipment to family and patient support, *The Project* is dedicated to contributing to the areas where it is needed most.

Our earnings of $33.7 million in 2011 decreased by $1.3 million as compared to 2010. Through operation of the Automatic Adjustment Formula ("Formula"), the Company's regulated rate of return on common equity, for the purpose of setting electricity rates, was reduced to 8.38% in 2011 from 9.00% in 2010.

On December 13, 2011, the Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB") approved the Company's application to suspend operation of the Formula for 2012. As a result, the Company's regulated rate of return on common equity will remain at 8.38% and current customer electricity rates will continue in effect for 2012, on an interim basis. A full cost of capital review is expected to be held by the PUB in 2012.

We completed the sale of certain utility poles to Bell Aliant Regional Communications Inc. (“Bell Aliant”). The Company continues to provide for the construction of Bell Aliant’s support structures.

We wish to thank our employees for their hard work and commitment in 2011. Our ability to deliver safe, reliable electricity, while providing our customers with a high standard of customer service is a direct result of their dedication to the Company, our customers and communities across the province.

Newfoundland Power’s Board of Directors provided another year of sound leadership in 2011. We express our sincerest appreciation for their continued support and direction. We thank Mr. Barry Perry, who retired from our Board after 3 years service, and welcome our newest member, Mr. Richard Hew.

Sincerely,

Earl Ludlow
President and Chief Executive Officer

Peggy Bartlett
Chair, Board of Directors

Prior to starting any job, our crews identify hazards and ensure the proper safety precautions are in place. Clayton Peach signs off on worksite details after completing the safety meeting with members of his crew.

Safety

The safety of our employees, contractors and the general public is at the forefront of everything we do. In 2011, we implemented several initiatives to strengthen our internal safety culture, improve upon our safety procedures in the field and educate the public about electrical safety.

To promote a vibrant internal safety culture, we introduced a new safety recognition program for employees in 2011. Under this program, employees who have demonstrated a commitment to safety, on the job or in their communities, are nominated by their peers for awards of recognition. Twelve employees held the title Safety Leader Among Us in 2011.

Currently, more than 20% of our workforce has been employed with the Company for 5 years or less. As new employees enter the workforce, our job shadowing and mentorship programs allow for the critical transfer of knowledge between junior and senior counterparts. During 2011, we completed a series of assessments and action plans tailored to improve field safety performance in each of our service areas. As part of this initiative, employees have received coaching through worksite assessments, job specific training and participation in safety meetings. It has also helped to identify a number of improvement opportunities in areas such as supervisor training, job safety planning, grounding practices and competency assessment for newly hired Power Line Technicians.

We took a concentrated approach to safety training in 2011, paying particular attention to high risk work such as grounding and bonding and worker protection procedures. The majority of the training planned for the year was completed by the end of the first quarter.

Our dedication to contractor safety remains unwavering. In 2011, we strengthened our relationship with contractor owners and focused on worksite visits. Throughout the year, health and safety personnel as well as field staff completed in excess of 300 worksite inspections and observations with our contractors. Contractors are an extension of our workforce and, as work volume continues to increase, their safety will continue to be a primary focus.

Once again, the majority of our corporate advertising was focused on keeping electrical safety top-of-mind with the general public. In addition to our radio and print campaigns, we launched new television ads during the month of September. The new ads highlight the potential danger and consequences involved with using heavy construction equipment and tree trimming near energized power lines. We continue to use Twitter to communicate real time safety information to the public and warn of potential weather related concerns.

Our employees and retirees carried on our Company's proud tradition of teaching members of the community about electrical safety. We demonstrated potential hazards in and around the home to more than 2,600 children in approximately 40 schools across the island.

The completion of an external audit of our Health and Safety Management System in 2011 confirmed our continued compliance with the OHSAS 18001 Health and Safety Management System international standard.

Whether on-the-job, at home or in the community, we are committed to putting safety first in everything we do.

As part of our commitment to reliability, we continue to invest in strengthening and rebuilding our electricity system. Power Line Technician, Chris Vivian, helps to rebuild a structure during a job in Come By Chance, NL.

Reliability

Over the past five years, we have invested more than $350 million to enhance our province's electricity system. These investments have served to improve reliability, reducing the number of outages experienced by our customers by approximately 30%.

In December 2011 we sustained damage to our electricity system across the island as a result of a major wind storm. Wind speeds in excess of 120 km/h left approximately 41,000 customers without power in the Corner Brook, Grand Falls-Windsor and Bonavista Peninsula areas. Crews from across the island mobilized immediately, restoring power to our customers in the safest, most efficient way possible.

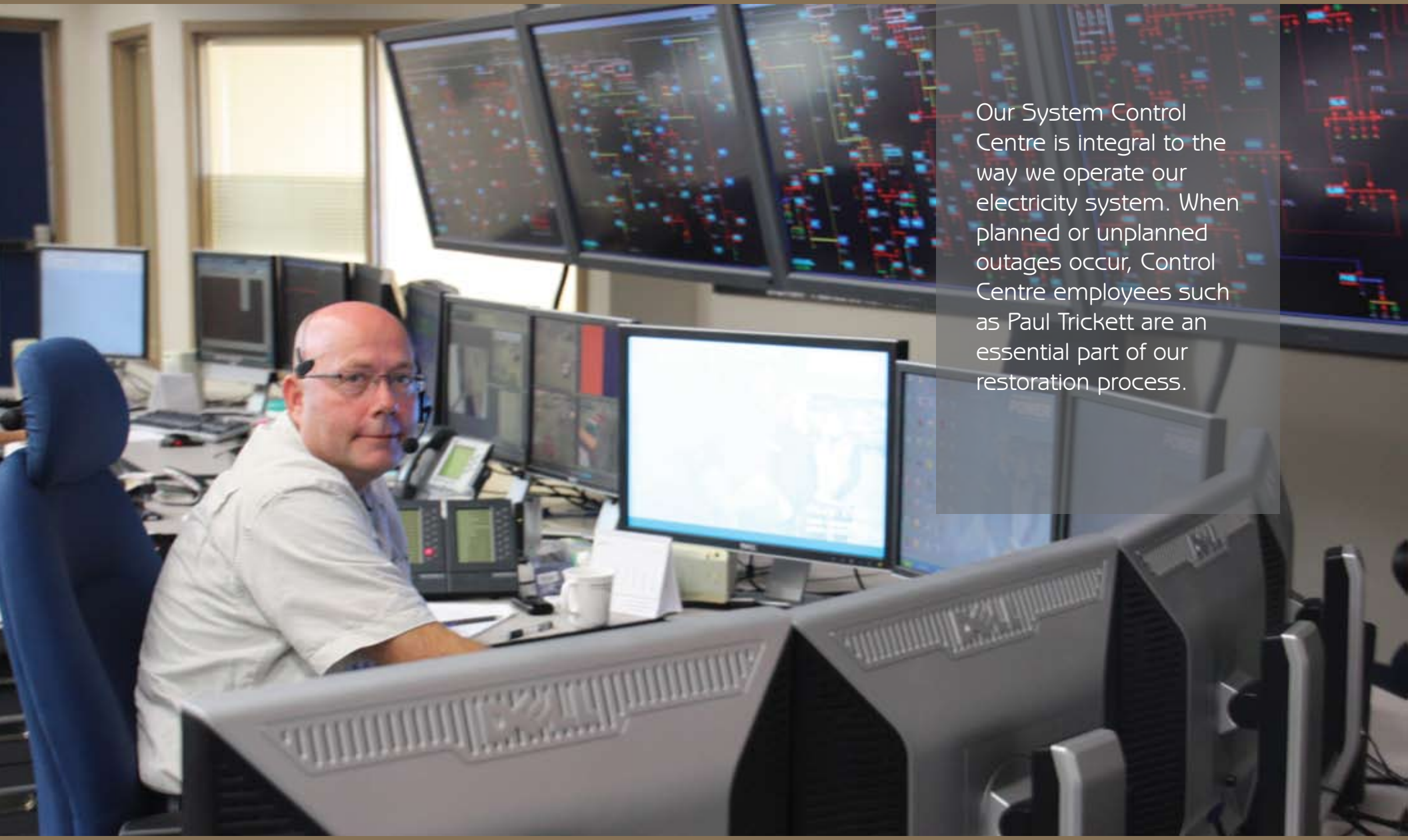
For the third consecutive year, we connected approximately 5,000 new customers to our electricity system. This increased volume of new customers required capital expenditures to increase our system's capacity. In 2011, we spent approximately 40% of our $76.2 million capital expenditures, excluding retirements, to expand and upgrade the electricity system in areas experiencing economic and customer growth. Specific projects involved spending approximately $4.9 million to upgrade power transformers at Kelligrews and Pulpit Rock substations on the Northeast Avalon, another $12.0 million to construct both primary and secondary power lines to connect new customers to our electricity system, as well as $6.7 million to refurbish substations across the island.

Our approach to asset management involves identifying deficiencies in our system through inspections and repairing them before they yield negative results. Last year, we dedicated approximately 60% of our capital expenditures to strengthen aging components of our electricity system. This included $5.5 million to upgrade transmission lines, including two in the St. John's area and one on the Southern Shore of the Avalon Peninsula, and $5.0 million to refurbish our Horse Chops, Rattling Brook and Sandy Brook hydroelectric generating facilities which provide low cost, clean energy. We invested $3.9 million to upgrade and add new technology to manage our electricity system more efficiently. We spent approximately $1.7 million to repair the dam at our hydroelectric plant in Lawn and rebuild our Port Union hydroelectric plant as a result of damage sustained during Hurricane Igor.

We completed the successful installation of mobile computing equipment in vehicles across our entire fleet in 2011. This ensures our field employees have real time access to the most up-to-date operational safety and environmental procedures. In 2011, we also began the implementation of new work scheduling software in select vehicles to optimize the way we deploy service and line crews. This technology allows for better scheduling of planned and unplanned work. Crews can share information, update project status directly from their vehicles, and access GPS navigation software to get information about, and directions to, jobsites.

To continue providing safe, reliable electricity to our customers we plan to invest an additional $77.3 million in 2012. Planned areas of focus include: purchasing a new mobile transformer for use during emergency and maintenance work; strengthening several of our transmission lines; constructing distribution lines to connect new customers; and, improving the overall operating efficiency of the electricity system.

Excluding storm related outages, our reliability remains among the best in the Country compared with utilities who serve both rural and urban customers.



Our System Control Centre is integral to the way we operate our electricity system. When planned or unplanned outages occur, Control Centre employees such as Paul Trickett are an essential part of our restoration process.

Service

We worked hard to maintain our customers' confidence in our service abilities throughout the year. This involved streamlining our approach to dispatching crews in the field, introducing new mobile technologies for smart phones, improving the functionality of our corporate website and offering new online self service options. Once again, our commitment to continually improving service is showing tangible benefits. In 2011, our customers gave us an annual customer satisfaction rating of 89%.

Customers are interacting with us electronically on a much larger scale. The Company recorded more than 2.8 million electronic interactions with customers in 2011, an increase of almost 30% over the last 5 years. In addition to viewing personal account and payment information online, customers can now access outage information and report street light outages on their smart phones via our mobile website 24 hours a day, 7 days a week.

We processed more than 46,000 email customer service requests and inquires, up almost 17% over 2010, and recorded over 540,000 visits to our corporate website, an increase of 17% over the previous year. Throughout the year, we tweeted about topics related to safety, outages, new service offerings, job opportunities and community events.

In 2011, more than 45,000 customers participated in our ebills program, up by almost 30% over 2010. Electronic billing reduces our environmental footprint and enhances convenience for our customers. It was particularly valued during the Canada Post strike.

The introduction of our new contractor website has also helped to streamline several of our contracted work processes. Our contractors login to directly access information about ongoing work such as street light repairs and pole installations. This allows contractors to manage project deadlines and workload requirements, and ensures better service for our customers.

We've begun to install Electronic Scheduling Software across our fleet of vehicles. This is serving to make work scheduling more efficient for processes such as new customer connections and system maintenance. Through this software crews in the field are able to access and work from project documents anywhere, anytime. This reduces inefficiencies in pre-job planning and communications in the field, resulting in improved service for our customers.

We implemented Click Scheduling Software to organize and schedule work for crews in the St. John's area. This software assigns work based on location and skill set, serving to optimize field work and reduce the time associated with manual processes.

Automated Meter Reading ("AMR") technology is now the standard for new meter installations in the province. The number of properties now equipped with AMR capabilities has risen 50% from approximately 30,000 in 2010 to approximately 45,000 by the end of 2011. The technology improves safety for our meter readers, reduces the need for electrical billing estimates and allows for the consolidation of some meter reading routes.

We introduced a new electricity rate option for residential customers. Since being introduced nearly 1,700 customers have opted for the new Seasonal Rate, where the cost of electricity in the summer months is lower than the winter. We also began a two-year pilot project to investigate offering a Time of Day electricity rate. Customers willing to alter their electricity usage patterns could benefit from this new structure.

We strive to deliver the best service possible for our customers, and the positive feedback we receive motivates us to carry on.

Employees with differing levels of experience, such as Trina Troke, Jia Ma and Tony Hancock with our Engineering Department, work closely on projects as part of our succession planning process.

Employees

Our employees are the key to who we are and what we do. We continue our focus on furthering our position as an employer of choice. This involves enhancing our work environment to maximize employee satisfaction and maintaining our current knowledge base through succession planning.

Early in 2011, the Company conducted an in-depth workforce assessment in which we projected retirements for the next five years, reviewed workload plans and identified human resource strategies to guide the Company in the future. We implemented a plan to ensure knowledge transfer between senior Engineers and Engineering Technologists and their junior counterparts in 2011.

As our Company's retirement rate continues to rise, we added 65 new employees to our team in 2011, the largest number hired in at least 20 years. We continue to support and participate in career fairs and co-op programs with Memorial University of Newfoundland and College of the North Atlantic campuses. In 2011, we worked closely with a local private educational institute to develop a certified training program for Power Line Technicians. We also enhanced our in-house Power Line Technician Apprentice Program with the addition of new apprentices, bringing our current complement to 25.

Our new corporate website dedicated to attracting new employees has made relevant information more accessible to those seeking careers. Online recruitment features now include a career alert option and first-hand employee testimonials.

Our focus on learning and development continued to be strong in 2011. Our mentoring program was very active and we made enhancements to our orientation program for employees and students. We also enhanced the tools and services available to employees to assist them with pre-retirement planning and offered a number of financial and retirement planning sessions.

We took an inventory of critical skills among technical staff in the Company to identify areas of expertise. This resulted in a risk analysis which involves matching skills sets by department and location.

We renewed our commitment to employee health and well being through updating our Respectful Workplace Policy and the formalizing of an Early and Safe Return to Work Program. Our employees continue to benefit from several in-house Employee Assistance Program services, and a variety of health and wellness initiatives. We were also proud to offer programs through our Occupational Health Nurse in 2011, including: flu vaccinations; blood pressure monitoring; fitness programs; weight loss clinics; and, healthy lifestyle advice.

Corinne Roberts and Kristy Woodford with our takeCHARGE Energy Conservation Team reveal our new Smart House – an interactive way to teach kids and the public about the many ways to save energy and money in your home.

Environment

Our commitment to operating in an environmentally responsible manner is part of our daily responsibilities. In 2011, we educated our customers about how to use energy more efficiently through our takeCHARGE partnership, completed capital projects which improved the condition and operation of our electricity system, and completed beautification projects within our communities.

Our customers' energy efficiency efforts through takeCHARGE have resulted in the conservation of 12.1 GWh of energy for 2011. This was more than double our goal of 5.1 GWh. Over 6,500 customers took advantage of our ENERGY SAVERS Rebate Programs. Residential customers benefitted from rebates on insulation, ENERGY STAR® windows, and programmable and electronic thermostats, and commercial customers received rebates on high performance lighting.

Visits to the takeCHARGE website increased by more than 40% over 2010, and our level of interaction with customers continues to grow through social media channels such as facebook and YouTube. More than 6,000 users have indicated they "like" our takeCHARGE facebook fan page and our YouTube viewers are continuing to rise.

2011 was also a busy year for capital projects aimed at improving the operating efficiency of our electricity system. We allocated $1.6 million to increase the annual energy production at our Sandy Brook Hydroelectric Plant. We invested $2.6 million to install a spillway and rehabilitate the dams at our Rattling Brook Hydroelectric Plant to improve water management through reduced spillage.

To lower the risk of oil spills through corrosion of electrical equipment, we are continuing to replace mild steel transformers with stainless steel units throughout the province. Approximately 85% of our distribution feeders and 92% of our substations have been completed under the PCB Phase Out Program to date. By the end of 2011, we replaced several circuit breakers in our service territory with more environmentally friendly breakers.

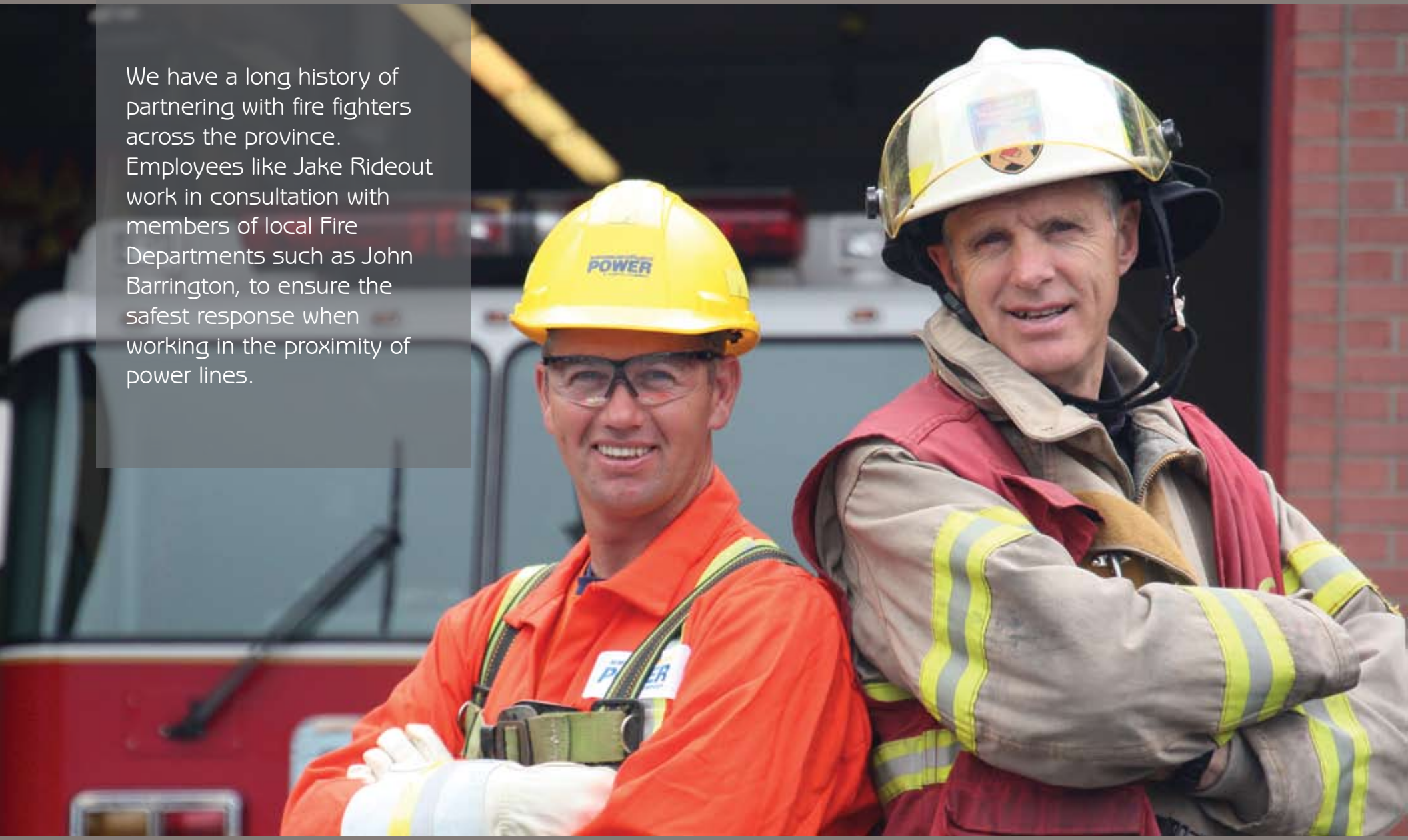
We held our 14th annual *EnviroFest* celebrations at 8 of our area locations during Environment Week. Through events tailored for each area, we educated thousands of participants about how to take better care of our environment, and completed tree planting and beautification projects throughout the province.

We celebrated our 14th year as a corporate sponsor of the Atlantic Salmon Federation's *Fish Friends* program. Since its inception we have invested approximately $80,000 to help students in schools across the island raise and release thousands of Atlantic salmon fry into our streams and waterways. We partnered with the City of St. John's and Tree Canada to kick off the first National Tree Day at Bowring Park in St. John's. During the event, school children and other participants planted trees, took part in safety demonstrations and learned lessons in tree care.

Throughout the year, we provided environmental training to 150 employees and almost 350 contractor employees. This reinforced the importance of performing duties in an environmentally responsible manner. We completed 6 emergency preparedness and response drills in 2011 to ensure that we are ready to respond in the event of any spills or emergency situations.

We demonstrate our commitment to the environment through our daily operations and community involvement.

We have a long history of partnering with fire fighters across the province. Employees like Jake Rideout work in consultation with members of local Fire Departments such as John Barrington, to ensure the safest response when working in the proximity of power lines.



Community

We are proud to partner with other community minded organizations for the betterment of our communities. In addition to providing in-kind support, corporate donations and sponsorships, our employees took a hands on approach to community involvement in 2011.

We donated $150,000 through our corporate charity, *The Power of Life Project*, which raises funds for cancer treatment equipment, support programs, and education and awareness. The commitment of our employees and retirees to organizing annual fundraising events, combined with a corporate donation and monthly donations from our employees and customers is making a difference in the lives of cancer patients and their families throughout the province.

The Project works closely with the Dr. H. Bliss Murphy Cancer Care Foundation and cancer centres across the island to identify and address area specific needs. In 2011, some of the initiatives included: helping almost 500 families through the Foundation's Patient and Family Support Fund; supporting children living with cancer attending Camp Delight; upgrading the waiting room at the Cancer Centre Western Region in Corner Brook; donating a blanket warmer to the Cancer Centre in Carbonear; and, providing 12 automated blood pressure monitors to a variety of cancer centres across the island.

We unveiled a new logo for *The Power of Life Project* in November, with the goal of increasing awareness for *The Project*. Since it began in 2002, *The Power of Life Project* has donated in excess of $2.0 million to support cancer care.

We successfully collaborated with the Newfoundland and Labrador Chapter of Motorcycle Ride for Dad in the fight against prostate cancer. Along with assisting with promotional and awareness initiatives, we hosted almost 600 bikes at our corporate headquarters on Ride Day, helping to raise over $160,000 toward prostate cancer research and education.

As part of our commitment to give back to our communities, we donated $50,000 to the Red Cross's Prepared campaign to help increase its disaster response capacity. We provided $15,000 to support the Newfoundland and Labrador Association of Fire Services' Learn Not to Burn Program for schools across the province. We partnered with Municipalities Newfoundland and Labrador on conferences and trade shows, and renewed our commitment to the youth of our province through our active involvement with Junior Achievement Newfoundland and Labrador.

We also continued our more than 30 year history of educating firefighters about the safest ways to fight fires in the proximity of high voltage power lines and equipment. We completed this training with 120 firefighters in 2011, bringing the total number of firefighters to receive the training to date to approximately 8,500.

Throughout 2011, employee groups and associations collected money and food at local Christmas parades for charities and food banks; gathered warm winter clothing for the Coats for Kids Campaign; delivered food as part of the Meals on Wheels initiative; and, entered corporate teams in fundraising events, such as CIBC Run for the Cure.

Our employees' commitment to giving the gift of life remains strong. In 2011, we exceeded our target of 300 blood donations in support of the Canadian Blood Services' Partners for Life program. Since 2004, our employees and their families have made approximately 2,300 blood donations, helping to save up to 6,900 lives.

Our employees, retirees and family members give freely of their time and money to make a difference to those in need.

Management Discussion and Analysis

Dated February 9, 2012

The following Management Discussion and Analysis ("MD&A") should be read in conjunction with Newfoundland Power Inc.'s (the "Company" or "Newfoundland Power") annual financial statements and notes thereto for the year ended December 31, 2011. The MD&A has been prepared in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. Financial information herein reflects Canadian dollars and Canadian generally accepted accounting principles ("Canadian GAAP"), including certain accounting practices unique to rate regulated entities. These accounting practices, which are disclosed in Notes 2 and 6 to the Company's 2011 annual audited financial statements, result in the recognition of revenues, expenses, regulatory assets and regulatory liabilities which would not occur in the absence of rate regulation and which affect the Company's reported earnings, cash flows and financial position.

Certain information herein is forward-looking 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 reflects management's current beliefs and is based on information currently available to the Company's management. The forward-looking information in this MD&A includes, but is not limited to, statements regarding: expectations to generate sufficient cash to complete required capital expenditures, and to service interest and sinking fund payments on debt; meeting pension funding requirements; no material adverse credit rating actions expected in the near term; the Company's belief that it does not anticipate any difficulties in issuing bonds on reasonable market terms; and, the forecast gross capital expenditures for 2012.

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; continued electricity demand; no significant operational disruptions or environmental liability due to severe weather or other acts of nature; no significant decline in capital spending in 2012; sufficient liquidity and capital resources; the continuation of regulator-approved mechanisms that permit recovery of costs; no significant variability in interest rates; no significant changes in government energy plans and environmental laws; the ability to obtain and maintain insurance coverage, licences and permits; the ability to maintain and renew collective bargaining agreements on acceptable terms; and, sufficient human resources to deliver service and execute the capital program.

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: regulation; operating and maintenance investment requirements; economic conditions; defined benefit pension plan performance; capital resources and liquidity; interest rates; electricity prices; purchased power cost; health, safety and environmental regulations; insurance; weather; information technology infrastructure; labour relations; and, human resources. For additional information with respect to these risk factors, reference should be made to the section entitled "Business Risk Management" in this MD&A.

All forward-looking information in this MD&A is qualified in its entirety by this cautionary statement and, except as required by law, the Company 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.

Additional information, including the Company's quarterly and annual financial statements and MD&A, annual information form and management information circular, is available on SEDAR at sedar.com.

OVERVIEW

The Company

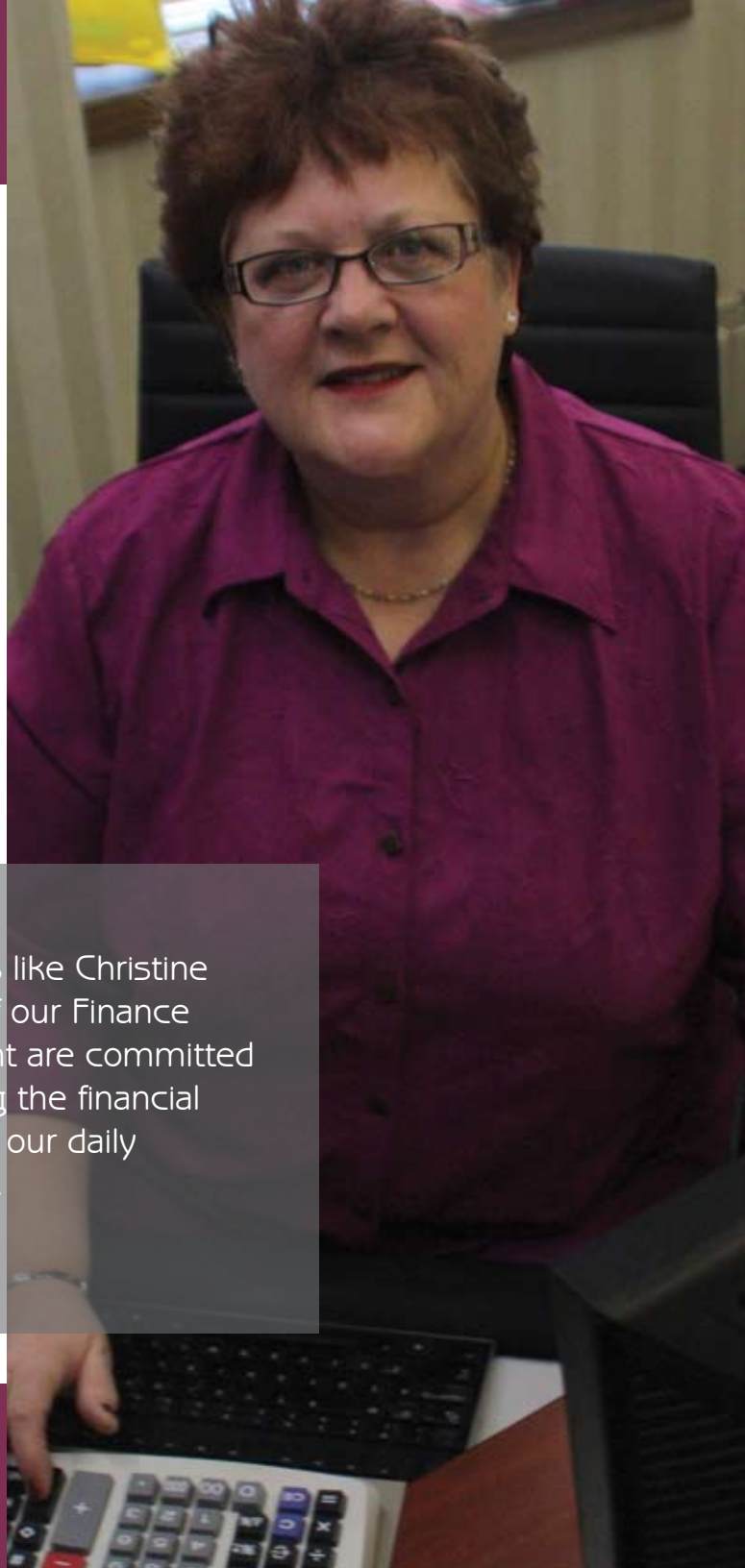
Newfoundland Power is a regulated electricity utility that owns and operates an integrated generation, transmission and distribution system throughout the island portion of the Province of Newfoundland and Labrador. All the Company's common shares are owned by Fortis Inc. ("Fortis"), which is principally a diversified, international holding company for electricity and gas distribution utilities.

Newfoundland Power's primary business is electricity distribution. It generates approximately 7% of its electricity needs and purchases the remainder from Newfoundland and Labrador Hydro ("Hydro"). Newfoundland Power serves over 247,000 customers, approximately 87% of all electricity consumers in the Province.

Newfoundland Power's vision is to be a leader among North American electricity utilities in terms of safety, reliability, customer service and efficiency. The key goals of the Company are to operate sound electricity distribution systems, deliver safe, reliable electricity to customers at the lowest reasonable cost, and conduct business in an environmentally and socially responsible manner.

Regulation

Newfoundland Power is regulated by the Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB"). The Company operates under cost of service regulation whereby it is entitled the opportunity to recover, through customer rates, all reasonable and prudent costs incurred in providing electricity service to its customers, including a just and reasonable return on its rate base. The rate base is the value of the net assets required to provide electricity service.



Employees like Christine Rumsey of our Finance Department are committed to ensuring the financial integrity of our daily operations.

Between general rate hearings, customer rates are established annually through an automatic adjustment formula (the "Formula"). The Formula sets an appropriate rate of return on common equity ("ROE") which is used to determine the rate of return on rate base. In accordance with the operation of the Formula, the Company's rate of return on common equity, for purposes of setting rates, was reduced to 8.38% for 2011 from 9.00% in 2010. The Company's rate of return on rate base was reduced to 7.96%, with a range of 7.78% to 8.14% for 2011, from 8.23%, with a range of 8.05% to 8.41% in 2010.

Effective January 1, 2011, customer electricity rates increased by an average of 0.8%. This reflects the net impact of the increase in revenue requirement due to the adoption of accrual accounting for other post employment benefits ("OPEBs") effective January 2011, partially offset by operation of the Formula which reduced the Company's allowed return on rate base for 2011.

On December 13, 2011, the PUB approved the Company's application to suspend operation of the Formula and review cost of capital for 2012. See the Outlook section of this MD&A.

Financial Highlights

	2011	2010	Change
Electricity Sales *(gigawatt hours ("GWh"))*[1]	5,552.8	5,419.0	133.8
Earnings Applicable to Common Shares			
$ Millions	33.7	35.0	(1.3)
$ Per Share	3.26	3.39	(0.13)
ROE *(%)*[2]	8.59	8.96	(0.37)
Cash Flow from Operating Activities *($millions)*	80.0	94.2	(14.2)
Total Assets *($millions)*	1,202.4	1,196.9	5.5

1 *Reflects normalized electricity sales.*
2 *Earnings applicable to common shares, divided by the average of common shareholders' equity at the beginning and end of the year. This ratio is a non-GAAP financial measure, does not have any standardized meaning prescribed by GAAP and is unlikely to be comparable to similar ratios published by other companies. It is presented because it is commonly referred to by the users of the Company's financial statements in evaluating the results of operations and by the Company's regulator in the rate setting process.*

Electricity sales for the year ended December 31, 2011, increased by 133.8 GWh, or approximately 2.5% compared to 2010. The increase was composed of (i) an increase of 1.6% in customer growth; and, (ii) an increase of 0.9% in average consumption reflecting higher concentration of electric heat in new home construction as well as strong economic growth.

Earnings for the year ended December 31, 2011, decreased by $1.3 million from $35.0 million in 2010 to $33.7 million in 2011. The decrease in earnings was primarily the result of: (i) a lower ROE embedded in customer rates effective January 1, 2011; (ii) a decrease in other revenue related to the new support structure arrangements with Bell Aliant Regional Communications Inc. ("Bell Aliant"); (iii) a higher effective tax rate; and, (iv) an increase in operating expenses. This decrease was partially offset by higher electricity sales, a reduction to purchased power costs due to higher generation associated with the Company's hydroelectric generating facilities, and decreased amortization expense.

The actual ROE in both 2011 and 2010 is broadly consistent with that reflected in customer rates.

Cash from operating activities decreased by $14.2 million compared to 2010. This decrease was mainly a result of: (i) higher income tax instalments; (ii) timing of payments to vendors, partially offset by; (iii) the January 1, 2011, customer rate increase; and, (iv) higher electricity sales.

Total assets increased by $5.5 million at December 31, 2011, compared to December 31, 2010. The increase was due to: (i) continued investment in the electricity system, consistent with the Company's strategy to provide safe, reliable electricity service at the lowest reasonable cost; (ii) an increase in accounts receivable primarily due to higher electricity sales and customer rates; and, (iii) an increase in regulatory assets, due to the normal operation of various regulatory mechanisms. This increase was substantially offset by the disposal of 40% of all joint-use poles and related infrastructure to Bell Aliant as described in Note 9 of the Company's 2011 annual audited financial statements.

RESULTS OF OPERATIONS

Revenue:

($millions)	2011	2010	Change
Revenue from Rates	559.5	537.6	21.9
Amortization of Regulatory Liabilities and Deferrals	3.1	5.3	(2.2)
Other Revenue[1]	10.5	12.5	(2.0)
Total	573.1	555.4	17.7

[1] *Other revenue is composed largely of maintenance, construction and related charges associated with the new support structure arrangements with Bell Aliant effective January 2011, as well as pole attachment charges to various telecommunication companies.*

Revenue from rates increased by $21.9 million, from $537.6 million in 2010 to $559.5 million in 2011. The increase primarily reflects the electricity sales growth and the January 1, 2011, customer rate increase.

The amortization of regulatory liabilities and deferrals in 2011 include the pension expense variance deferral ("PEVDA") and the OPEBs cost variance deferral. These regulatory liabilities and deferrals are described in Notes 2 and 6 to the Company's 2011 annual audited financial statements. The amortization of the unbilled revenue and municipal tax regulatory liability expired in December 2010, as described in Notes 2 and 4 to the Company's 2010 annual audited financial statements. The amounts recorded are in accordance with PUB orders.

Other revenue decreased by $2.0 million, from $12.5 million in 2010 to $10.5 million in 2011. The decrease was primarily related to the new support structure arrangements with Bell Aliant effective January 1, 2011. See the Outlook section of this MD&A.

Purchased Power: Purchased power expense increased by $11.1 million, from $358.4 million in 2010 to $369.5 million in 2011. The increase was primarily due to electricity sales growth. The increase was partially offset by a reduction in purchased power costs as a result of higher generation associated with the Company's hydroelectric generating facilities.

Operating Expenses: Operating expenses increased by $2.8 million, from $53.8 million in 2010 to $56.6 million in 2011. The increase was mainly a result of: (i) wage and inflationary increases; (ii) higher costs associated with training and illness; (iii) increased conservation costs associated with rebate programs offered to customers; (iv) higher distribution maintenance costs; and, (v) higher professional fees associated with the Company's adoption of new accounting standards in 2012. This increase was partially offset by a reduction in retirement and severance expenses, storm related costs and an increase in general expenses capitalized ("GEC").

Employee Future Benefits: Employee future benefits increased by $12.2 million, from $8.4 million in 2010 to $20.6 million in 2011. Approximately $4.0 million of the increase related to the amortization of experience losses from prior years associated with the pension plan assets and a lower discount rate at December 31, 2010, which is used to determine the Company's accrued benefit pension obligation associated with its defined benefit pension plan. The remaining increase of $8.2 million relates to higher OPEBs costs. Effective January 1, 2011, pursuant to a PUB order: (i) the Company recognized OPEBs based on the accrual method of accounting; and, (ii) commenced amortization of the OPEBs regulatory asset of $52.6 million over 15 years.

Amortization: Amortization expense decreased by $0.7 million, from $43.4 million in 2010 to $42.7 million in 2011. The decrease was primarily due to lower depreciable assets resulting from the new support structure arrangements with Bell Aliant effective January 1, 2011. See Note 9 of the Company's 2011 annual audited financial statements. This was partially offset by increased amortization relating to the Company's capital expenditure program.

Amortization of property, plant and equipment is subject to periodic review by external experts via an amortization study. The most recent amortization study, based on capital assets in service as at December 31, 2010, indicates an accumulated amortization variance of approximately $17.7 million. Subject to PUB approval, this variance is expected to increase the amortization of capital assets in future years which will be recovered in future customer rates.

Amortization True-Up Deferral: Based on a 2002 amortization study, the PUB ordered the deferred recovery of approximately $11.6 million, $5.8 million in each of 2006 and 2007, related to a variance in accumulated amortization. These deferrals were amortized evenly over 2008 through 2010.

Cost Recovery Deferral: The PUB approved the deferred recovery of $2.4 million of costs in 2011 due to increased costs associated with expiring regulatory amortizations related to unbilled revenue, municipal tax liability, amortization true-up deferral, replacement energy deferral, purchased power unit cost variance deferral and deferred General Rate Application ("GRA") costs. The deferral was recorded as an increase in regulatory assets and a decrease in expense.

Finance Charges: Finance charges for 2011 were comparable to 2010. Additional borrowings under the Company's credit facility and higher short-term interest rates were offset by a reduction in interest on long-term debt after the annual sinking fund payment. The higher short term interest rates are reflective of current market conditions.

Income Taxes: Income tax expense for 2011 was comparable to 2010. In 2011 lower pre-tax earnings was offset by a higher effective income tax rate. The higher effective income tax rate related primarily to recognition of a tax reserve for unpaid compensation and the allocation of the Part VI.1 tax deduction from Fortis to Newfoundland Power. This was partially offset by a reduction in the statutory tax rate and the recognition of tax deductions associated with regulatory costs.

FINANCIAL POSITION

Explanations of the primary causes of significant changes in the Company's balance sheets between December 31, 2010, and December 31, 2011, follow:

($millions)	Increase (Decrease)	Explanation
Accounts Receivable	15.4	Increase is attributable to: (i) higher electricity sales; (ii) the January 1 and July 1, 2011, customer rate increases; and, (iii) amounts receivable from Bell Aliant as part of the support structure arrangements effective January 1, 2011.
Regulatory Assets	6.9	Increase due to normal operation of various regulatory mechanisms. See Note 6 of the Company's 2011 annual audited financial statements.
Assets Held for Sale	(44.7)	Decrease is due to the sale of 40% of all joint-use poles and related infrastructure to Bell Aliant as described in Note 9 of the Company's 2011 annual audited financial statements.
Property, Plant and Equipment	36.4	Investment in electricity system, in accordance with the 2011 capital expenditure program offset partially by amortization and customer contributions in aid of construction.
Accrued Pension	(3.8)	Pension expense exceeded contributions made to the plan in 2011.
Accounts Payable and Accrued Charges	15.8	Increase is primarily due to payable for purchased power related to higher energy consumption in December 2011 compared to December 2010.
Regulatory Liabilities	3.3	Increase primarily due to normal operation of the weather normalization account and the demand management incentive account. See Note 6 of the Company's 2011 annual audited financial statements.
Other Post-Employment Benefits	3.7	Increase is related to accrual of benefits earned during 2011.
Retained Earnings	(16.5)	Payment of dividends, in excess of earnings, in order to maintain an average capital structure that includes approximately 45% common equity. The Company utilized a portion of the proceeds from the transaction with Bell Aliant to pay a special common dividend of $29.9 million to Fortis on October 7, 2011.

LIQUIDITY AND CAPITAL RESOURCES

The primary sources of liquidity and capital resources are net funds generated from operations, debt capital markets and bank credit facilities. These sources are used primarily to satisfy capital and intangible expenditures, service and repay debt, and pay dividends. A summary of cash flows and cash position for 2011 and 2010 follows:

($millions)	2011	2010	Change
Cash, Beginning of Year	4.2	5.3	(1.1)
Operating Activities	80.0	94.2	(14.2)
Investing Activities	(32.8)	(75.0)	42.2
Financing Activities			
Net Credit Facility Proceeds	5.0	1.5	3.5
Dividends on Common Shares	(50.2)	(15.7)	(34.5)
Repayment of Long-term Debt	(5.2)	(5.2)	-
Other	(0.7)	(0.9)	0.2
	(51.1)	(20.3)	(30.8)
Cash, End of Year	0.3	4.2	(3.9)

Operating Activities

Cash flow from operating activities totalled $80.0 million in 2011 compared to $94.2 million in 2010. The $14.2 million decrease in cash flow from operating activities reflects timing of income tax instalments and payments to vendors. This was partially offset by the January 1, 2011, customer rate increase and higher electricity sales.

Investing Activities

Cash flow used in investing activities totalled $32.8 million in 2011 compared to $75.0 million in 2010. The $42.2 million decrease was due primarily to the proceeds received from Bell Aliant related to the sale of 40% of all joint-use poles and related infrastructure. The decrease was partially offset by higher capital expenditures in 2011 compared to 2010. A summary of 2011 and 2010 capital and intangible asset expenditures follows:

($millions)	2011	2010
Electricity System		
Generation	8.8	5.6
Transmission	5.2	6.4
Substations	11.9	9.6
Distribution	38.5	40.9
Other	14.1	13.5
Intangible Assets	2.0	2.0
Capital and Intangible Asset Expenditures	80.5	78.0

The Company's business is capital intensive. Capital investment is required to ensure continued and enhanced performance, reliability and safety of the electricity system, and to meet customer growth. All costs considered to be repairs and maintenance are expensed as incurred. Capital investment also arises for information technology systems and for general facilities, equipment and vehicles. Capital expenditures, and property, plant and equipment repairs and maintenance expense, can vary from year-to-year depending upon both planned electricity system expenditures and unplanned expenditures arising from weather or other unforeseen events.

The Company's annual capital plan requires prior PUB approval. Variances between actual and planned expenditures are generally subject to PUB review prior to inclusion in the Company's rate base.

The PUB has approved the Company's 2012 capital plan which provides for capital expenditures of approximately $77.3 million, approximately half of which relate to construction and capital maintenance of the electricity distribution system.

Financing Activities

Cash flow used in financing activities totalled $51.1 million in 2011 compared to $20.3 million in 2010. The $30.8 million increase in cash used in financing activities was primarily the result of higher dividends. Upon receipt of the proceeds from Bell Aliant regarding the sale of 40% of all joint-use poles and related infrastructure, a special dividend of $29.9 million was paid to Fortis to maintain the Company's capital structure composed of 55% debt and preference equity and 45% common equity.

The Company has historically generated sufficient annual cash flows from operating activities to service annual interest and sinking fund payments on debt, to pay dividends and to finance a major portion of its annual capital program. Additional financing to fully fund the annual capital program is primarily obtained through the Company's bank credit facilities and these borrowings are periodically refinanced along with any maturing bonds through the issuance of long-term first mortgage sinking fund bonds. The Company currently does not expect any material changes in these annual cash flow and financing dynamics over the foreseeable future.

Debt: The Company's credit facilities are comprised of a $100.0 million committed revolving term credit facility ("Committed Facility") and a $20.0 million demand facility as detailed below:

($millions)	2011	2010
Total Credit Facilities	120.0	120.0
Borrowing, Committed Facility	(20.0)	(15.0)
Credit Facilities Available	100.0	105.0

During the second quarter of 2011, the Committed Facility was renegotiated on similar terms as the previous facility, with a decrease in pricing, and an extension to a four-year term maturing in August 2015.

Pensions: As at December 31, 2011, the fair value of the Company's primary defined benefit pension plan assets was $276.3 million compared to fair value of plan assets of $269.3 million as at December 31, 2010. Details of the plan asset changes are included in Note 12 to the Company's 2011 annual audited financial statements.

In 2009, Newfoundland Power received the Actuarial Valuation Report for its defined benefit pension plan. This report included the funding status of the plan as at December 31, 2008, on a going concern and solvency basis. Based on the report, the solvency deficit as at December 31, 2008, was $6.9 million ($7.7 million inclusive of interest). The solvency deficit is being funded over a five-year period, which commenced in 2009. The Company fulfilled its 2011 annual solvency deficit funding requirement of $1.5 million during the second quarter of 2011.

Based on the December 2008 Actuarial Valuation Report, the solvency deficit funding amounts are expected to be $1.6 million in 2012 and $1.5 million in 2013. Actual pension funding contributions will be based on the next actuarial valuation as of December 31, 2011. This valuation is expected to be completed in the first quarter of 2012. The Company expects to be able to meet future pension funding requirements as it expects the amounts will be financed from a combination of cash generated from operations and amounts available for borrowing under existing credit facilities.

Contractual Obligations: Details, as at December 31, 2011, of all contractual obligations over the subsequent five years and thereafter, follow:

($millions)	Total	Due Within 1 Year	Due in Years 2 & 3	Due in Years 4 & 5	Due After 5 Years
Credit Facilities (unsecured)	20.0	-	-	20.0	-
First Mortgage Sinking Fund Bonds[1]	458.5	5.2	39.0	39.6	374.7
Total	478.5	5.2	39.0	59.6	374.7

[1] *First mortgage sinking fund bonds are secured by a first fixed and specific charge on property, plant and equipment owned or to be acquired by the Company, by a floating charge on all other assets and carry customary covenants.*

Credit Ratings and Capital Structure: To ensure continued access to capital at reasonable cost, the Company endeavours to maintain its investment grade credit ratings. Details of the Company's investment grade bond ratings as at December 31, 2011, and 2010 follow:

	2011		2010	
Rating Agency	Rating	Outlook	Rating	Outlook
Moody's Investors Service ("Moody's")	A2	Stable	A2	Stable
DBRS	A	Stable	A	Stable

Both Moody's and DBRS issued updated credit rating reports confirming the Company's existing investment grade bond rating and rating outlook. The Company's investment grade bond rating and rating outlook remain unchanged from 2010.

Newfoundland Power manages common share dividends to maintain a capital structure composed of 55% debt and preference equity and 45% common equity. This capital structure is reflected in customer rates and is consistent with the Company's current investment grade credit ratings. The Company's capital structure as at December 31, 2011, and 2010 follows:

	2011		2010	
	$millions	%	$millions	%
Total Debt[1]	475.1	54.7	471.3	53.5
Common Equity	384.0	44.3	400.5	45.5
Preference Equity	9.1	1.0	9.1	1.0
Total	868.2	100.0	880.9	100.0

[1] *Includes bank indebtedness, or net of cash and debt issue costs, if applicable.*

The Company expects it will be able to maintain its current investment grade credit ratings in 2012.

Capital Stock and Dividends: For the years ended 2011 and 2010, the weighted average number of common shares outstanding was 10,320,270. Dividends on common shares, for 2011 were $34.5 million higher than 2010. In 2011, quarterly common share dividends increased to $0.49 per share from $0.38 per share in 2010. As well, the Company utilized a portion of the proceeds from the transaction with Bell Aliant to pay a special common share dividend of $29.9 million ($2.90 per share) to Fortis on October 7, 2011. The increase in common share dividends was to maintain an average capital structure that includes approximately 45% common equity.

The Company redeemed 3,000 Series D Preference shares outstanding for $30,000 in 2011.

RELATED PARTY TRANSACTIONS

The Company provides services to, and receives services from, its parent company, Fortis and other subsidiaries of Fortis. The Company also incurs charges from Fortis for the recovery of general corporate expenses incurred by Fortis. These transactions are in the normal course of business and are recorded at their exchange amounts.

Related party transactions included in revenue and operating expenses for the years ended December 31, 2011, and 2010 follow:

($millions)	2011	2010
Revenue[1]	4.6	4.4
Operating Expenses	2.1	2.1

[1] *Includes charges for electricity consumed.*

Related party transactions included in accounts receivable at December 31, 2011, were $0.2 million, compared to $0.1 million at December 31, 2010.

In July 2011, the Company borrowed $25.0 million from Fortis as a short-term demand loan at an interest rate of 1.68% per annum. The full amount was repaid to Fortis in August 2011.

FINANCIAL INSTRUMENTS

The carrying values of financial instruments included in current assets, current liabilities, other financial assets, and other financial liabilities approximate their fair value, reflecting their nature, short-term maturity or normal trade credit terms. The fair value of long-term debt is determined by discounting the future cash flows of each debt instrument at the estimated yield-to-maturity equivalent to benchmark government bonds, with similar terms to maturity, plus a market credit risk premium equal to that of issuers of similar credit quality. Since the Company does not intend to settle its debt instruments before maturity, the fair value estimate does not represent an actual liability, and therefore, does not include exchange or settlement costs.

The carrying and estimated fair values of the Company's long-term debt as at December 31, 2011, and 2010 follows:

($millions)	2011 Carrying Value	2011 Estimated Fair Value	2010 Carrying Value	2010 Estimated Fair Value
Long-term debt, including current portion and committed credit facility	478.5	626.3	478.7	581.3

BUSINESS RISK MANAGEMENT

The following is a summary of the Company's significant business risks.

Regulation: The Company's key business risk is regulation. The Company is subject to normal uncertainties facing entities that operate under cost of service regulation. It is dependent on PUB approval of customer rates that permit a reasonable opportunity to recover on a timely basis the estimated costs of providing electricity service, including a fair and reasonable return on rate base. The ability to recover the actual costs of providing service and to earn the approved rates of return depends on achieving the forecasts established in the rate setting process. There can be no assurance that rate orders issued by the PUB will permit the Company to recover the estimated costs of providing electricity service. A failure to obtain acceptable rate orders may adversely affect the operations of the Company, the timing of capital projects, and the Company's credit ratings assigned by rating agencies, which may in turn, negatively affect the results of operations and financial position of the Company.

Between general rate applications, the setting of customer rates through the Formula can cause earnings and cash flows to increase or decrease due to corresponding changes in bond yields which are beyond the Company's control.

Operating and Maintenance: The Company's electricity system requires ongoing maintenance and capital investment to ensure its continued performance, reliability and safety. The failure of the Company to properly execute its capital expenditure programs, maintenance programs or the occurrence of significant unforeseen equipment failures could have a material adverse effect on the Company's results of operations, cash flows and financial position. There can be no assurance that any additional maintenance and capital costs will receive regulatory approval for recovery in future customer rates.

Economic Conditions: Economic conditions primarily impact the performance of the Company's electricity sales, cost of capital and the performance of the defined benefit pension plan. The impact on pensions and cost of capital are discussed below. Electricity sales are influenced by economic factors such as changes in employment levels, personal disposable income and housing starts. Out-migration in rural areas, as well as declining birth rates and increasing death rates associated with an aging population, also affect sales. An extended decline in economic conditions would be expected to have the effect of reducing demand for energy over time. In addition to the impact of reduced demand, an extended decline in economic conditions could also impair the ability of customers to pay for electricity consumed, thereby affecting the aging and collection of the Company's accounts receivable. Modest sales growth is currently expected for 2012; however, economic conditions may impact actual future sales.

Defined Benefit Pension Plan Performance: The defined benefit pension plan is subject to judgements utilized in the actuarial determination of the accrued pension benefit obligation and the related pension expense. The primary assumptions utilized by management are the expected long-term rate of return on pension plan assets and the discount rate used to value the accrued pension benefit obligation. A discussion of the critical accounting estimates associated with pensions is provided in the "Critical Accounting Estimates – Employee Future Benefits" section of this MD&A.

Pension benefit obligations and related pension expense can be affected by change in the global financial and capital markets. There is no assurance that the pension plan assets will earn the expected long-term rate of return in the future. Market driven changes impacting the performance of the pension plan assets may result in material variations in actual return on pension plan assets from the expected long-term return on the assets. This may cause material changes in future pension funding requirements from current estimates and material changes in future pension expense. Market-driven changes may also impact the discount rate resulting in material variations in future pension funding requirements from current estimates and material changes in future pension expense.

There is also risk associated with measurement uncertainty inherent in the actuarial valuation process as it affects the measurement of pension expense, future funding requirements, the accrued benefit asset and benefit obligation.

The pension risks are mitigated due to the PUB approved PEVDA to deal with the differences between actual defined benefit pension expense and pension expense approved by the PUB for rate setting purposes. Variations in pension expense from that approved by the PUB for rate setting purposes would be recovered from (returned to) customers through the Company's Rate Stabilization Account ("RSA"). The closure of the defined benefit pension plan in 2004 also mitigates the above risk.

Capital Resources and Liquidity: The Company's financial position could be adversely affected if it fails to arrange sufficient and cost-effective financing to fund, among other things, capital expenditures and the repayment of maturing debt. There can be no assurance that sufficient capital will continue to be available on acceptable terms to repay existing debt and to fund capital expenditures. The ability to arrange sufficient and cost-effective financing is subject to numerous factors, including the financial position of the Company, conditions in the capital and bank credit markets, ratings assigned by rating agencies and general economic conditions.

Credit ratings affect the level of credit risk spreads on new long-term bond issues and on the Company's credit facilities. A change in credit ratings could potentially affect access to various sources of capital and increase or decrease the Company's financing costs. During 2011, the Company's credit ratings remained unchanged from 2010. The Company does not anticipate any material adverse rating actions by the credit rating agencies in the near term. However, global financial market conditions have placed increased scrutiny on rating agencies and rating agency criteria, which may result in changes to credit rating practices and policies.

The Company has been successful at securing cost effective capital and expects to have reasonable access to capital in the near to medium terms. In 2011, the Company renegotiated its committed credit facility on similar terms as the previous facility, with a decrease in pricing. The decreased pricing is not expected to materially impact the Company's financial results in 2012.

Further information on the Company's credit facilities, contractual obligations, including long-term debt maturities and repayments, and cash flow requirements is provided in the "Liquidity and Capital Resources" section of this MD&A and under "Liquidity Risk" in Note 20 to the Company's 2011 annual audited financial statements.

Interest Rates: Global financial market conditions could impact the Company's cost of capital as well as impact timing of future long-term bond issues. Market driven changes in interest rates could cause fluctuations in interest costs associated with the Company's bank credit facilities. The Company periodically refinances its credit facilities in the normal course with fixed-rate first mortgage sinking fund bonds, which compose most of its long-term debt, thereby significantly mitigating exposure to short-term interest rate changes.

Electricity Prices: Increases in electricity rates can cause changes in customer electricity consumption, which could negatively impact sales and therefore earnings and cash flows. Electricity prices have risen in recent years primarily due to the flow-through of the rising cost of oil used at Hydro's Holyrood thermal generating station. Future changes or volatility in oil prices may affect electricity prices in a manner that affects sales.

Purchased Power Cost: The Company is dependent on Hydro for approximately 93% of its electricity requirements. Purchased power costs are based on a wholesale demand and energy rate structure. The demand and energy rate structure presents the risk of volatility in purchased power costs due to uncertainty in forecasting energy sales and peak billing demand.

Effective January 1, 2008, the PUB ordered the operation of the demand management incentive account (the "DMI"). The DMI limits variations in the unit cost of purchased power related to demand up to 1% of total demand costs reflected in customer rates, or approximately $0.5 million for 2011. The disposition of balances in this account, which would be determined by a further order of the PUB, will consider the merits of the Company's conservation and demand management activities.

With respect to energy charges, as a result of January 1, 2007, changes in Hydro's wholesale rates, the marginal cost of purchased power now exceeds the average cost of purchased power that is embedded in customer rates. To the extent actual electricity sales in any period exceed forecast electricity sales used to set customer rates, the marginal purchased power expense will exceed related revenue. These supply cost dynamics had no material effect on earnings because the PUB ordered, for 2008 to 2010, that variations in purchased power expense caused by differences between the actual unit cost of energy purchased and that reflected in customer rates be recovered from (returned to) customers through the Company's RSA. Pursuant to the Company's 2010 GRA, the PUB ordered the continued use of the energy supply cost variance reserve until a further order from the PUB.

Health and Safety: The Company is subject to numerous and increasing health and safety laws, regulations and guidelines. Damages and costs could potentially arise due to a variety of events, including human error or misconduct and equipment failure. There is no assurance that any costs which might arise would be recoverable through customer rates and, if substantial, unrecovered costs could have a material adverse effect on the results of operations, cash flows and financial position of the Company. A focus on safety is an integral and continuing component of the Company's core business strategy.

2011 was the Company's fourth full year under the internationally recognized Occupational Health and Safety Assessment Series 18001 Health and Safety Management System. Continuing to meet this standard improves the Company's ability to capture and track information related to safe work practices and hazard recognition, and enhanced safety management.

Environment: The Company is subject to numerous laws, regulations and guidelines governing the management, transportation and disposal of hazardous substances and other waste materials and otherwise relating to the protection of the environment. Environmental damage and associated costs could potentially arise due to a variety of events, including the impact of severe weather and other natural disasters, human error or misconduct and equipment failure. Costs arising from environmental protection initiatives, compliance with environmental laws, regulations and guidelines or damages may become material to the Company. To identify, mitigate and monitor environmental performance the Company has established an environmental management system ("EMS"). The Company's EMS is compliant with the International Organization for Standardization 14001 standard. As at December 31, 2011, there were no environmental liabilities recorded in the Company's 2011 annual audited financial statements and there were no unrecorded environmental liabilities known to management.

The Company's key environmental hazard relates to risks of contamination of air, soil and water primarily relating to the storage and handling of fuel, the use and/or disposal of petroleum-based products, mainly transformer and lubricating oil containing polychlorinated biphenyls ("PCBs"), in the day-to-day operating and maintenance activities, and emissions from the combustion of fuel required in the generation of electricity.

The Company is also subject to inherent risks, including risk of fires. Electricity transmission and distribution facilities have the potential to cause fires as a result of equipment failure, trees falling on a transmission or distribution line or lightning strikes to wooden poles.

The environmental hazards related to hydroelectric generation operations include the creation of artificial water flows that may disrupt natural habitats and the storage of large volumes of water for the purpose of electricity generation.

Insurance: While the Company maintains a comprehensive insurance program, the Company's transmission and distribution assets (i.e. poles and wires) are not covered under insurance for physical damage. This is customary in North America as the cost of the coverage is not considered economical. Insurance is subject to coverage limits as well as time-sensitive claims discovery and reporting provisions and there is no assurance that the types of liabilities that may be incurred by the Company, including those that may arise relating to environmental matters, will be covered by insurance.

For material uninsured losses, the Company expects that it could seek regulatory relief. However, there is no assurance that regulatory relief would be received. Any major damage to the physical assets of the Company could result in repair costs and customer claims that are substantial in amount and which could have a material adverse effect on the Company's results of operations, cash flows and financial position.

It is expected that existing insurance coverage will be maintained. However, there is no assurance that the Company will be able to obtain or maintain adequate insurance in the future at rates considered reasonable or that insurance will continue to be available on terms comparable to those now existing.

Weather: The physical assets of the Company are exposed to the effects of severe weather conditions and other acts of nature. Although the physical assets have been constructed, operated and maintained to withstand severe weather, there is no assurance that they will successfully do so in all circumstances. In the event of a material uninsured loss caused by severe weather conditions or other natural disasters, there is potential to make an application to the PUB for recovery of those costs. However, there can be no assurance that the PUB would approve any such application. Any major damage to the Company's facilities could result in lost revenues, repair costs and customer claims that are substantial in amount and could result in a material adverse effect on the Company's results of operations, cash flows and financial position.

Information Technology Infrastructure: The ability of the Company to operate effectively is dependent upon developing and maintaining its information systems and infrastructure that support electricity operations, provide customers with billing information and support the financial and general operating aspects of the business. System failures could have a material adverse effect on the Company.

Labour Relations: Approximately 54% of the employees of the Company are members of the International Brotherhood of Electrical Workers labour union (the "IBEW") which had entered into two collective bargaining agreements with the Company. The two agreements expired on September 30, 2011.

The Company and the IBEW reached a tentative agreement in January 2012; however, the tentative agreement is subject to ratification by the members. The inability to maintain or renew the collective bargaining agreements on acceptable terms could result in increased labour costs, or service interruptions arising from labour disputes that are not provided for in approved rates and that could have a material adverse effect on the results of operations, cash flows and financial position of the Company.

Human Resources: The ability of the Company to deliver service in a cost-effective manner is dependent on the ability of the Company to attract, develop and retain a skilled workforce. The Company is faced with demographic challenges relating to trades, technical staff and engineers. An increasing competitive job market may also present future recruitment challenges.

FUTURE ACCOUNTING CHANGES

Adoption of New Accounting Standards: Due to continued uncertainty around the adoption of a rate-regulated accounting standard by the International Accounting Standards Board, the Company has evaluated the option of adopting United States generally accepted accounting principles ("U.S. GAAP"), as opposed to International Financial Reporting Standards ("IFRS"), and has decided to adopt U.S. GAAP effective January 1, 2012.

Canadian securities rules allow a reporting issuer to prepare and file its financial statements in accordance with U.S. GAAP by qualifying as a U.S. Securities and Exchange Commission ("SEC") Issuer. On June 6, 2011, an application was filed with the Ontario Securities Commission (the "OSC") seeking relief, pursuant to National Policy 11-203 – *Process for Exemptive Relief Applications in Multiple Jurisdictions*, to permit Fortis and its reporting issuer subsidiaries, including Newfoundland Power, to prepare their financial statements in accordance with U.S. GAAP without qualifying as SEC Issuers (the "Exemption"). On June 9, 2011, the OSC granted the Exemption for financial years commencing on or after January 1, 2012, but before January 1, 2015, and interim periods therein. The Exemption will terminate in respect of financial statements for annual and interim periods commencing on or after the earlier of: (i) January 1, 2015; or, (ii) the date on which the Company ceases to have activities subject to rate regulation.

The Company also required an amendment to regulations made under the *Corporations Act* (Newfoundland and Labrador) in order to prepare its financial statements in accordance with U.S. GAAP. The amendment was enacted in the third quarter of 2011.

The Company's application of Canadian GAAP currently references U.S. GAAP for guidance on accounting for rate-regulated activities. The adoption of U.S. GAAP in 2012 is, therefore, expected to result in fewer significant changes in the Company's accounting policies as compared to accounting policy changes that may have resulted with the adoption of IFRS. U.S. GAAP guidance on accounting for rate-regulated activities allows the economic impact of rate-regulated activities to be recognized in the financial statements in a manner consistent with the timing by which amounts are reflected in customer rates. The Company believes that the continued application of rate-regulated accounting, and the associated recognition of regulatory assets and liabilities under U.S. GAAP, accurately reflects the impact that rate regulation has on the Company's financial position and results of operations.

Several other Canadian investor-owned, rate-regulated utilities are also expected to take a similar approach to adoption of U.S. GAAP in 2012. The Company's voluntary filing of audited U.S. GAAP financial statements for the year ending December 31, 2011, and the comparative period, subsequent to the filing of its audited Canadian GAAP financial statements for the year ending December 31, 2011, has been approved by the OSC. The voluntary filing is expected to be completed prior to March 31, 2012.

The Company has substantially completed its analysis of differences between U.S. GAAP and Canadian GAAP. The areas identified to date where differences between U.S. GAAP and Canadian GAAP are expected to have the most significant financial statement impacts are as follows:

Employee Future Benefits: Under Canadian GAAP, the accrued benefit asset or liability associated with defined benefit pension plans and OPEBs is recognized on the balance sheet with a reconciliation of the recognized asset or liability to the funded or unfunded status being disclosed in the notes to the financial statements. The accrued benefit asset or liability excludes unamortized balances related to past service costs, actuarial gains or losses and transitional obligations which have not yet been expensed.

U.S. GAAP requires recognition of the funded or unfunded status of defined benefit pension plans and OPEBs on the balance sheet. This is expected to result in several one-time adjustments upon adoption of U.S. GAAP.

The opening unamortized balances for transitional obligations associated with defined benefit pension plans, and the majority of the opening unamortized transitional obligation for OPEBs are required to be recorded as a reduction to retained earnings and the amortization of these opening transitional balances would no longer be included in the calculation of employee future benefit expense. Newfoundland Power expects to record these balances as a regulatory asset.

Opening unamortized balances related to past service costs, actuarial gains or losses and the remaining portion of the OPEBs transitional obligation are required to be recorded as a reduction to equity and classified as accumulated other comprehensive income on the balance sheet. The amortization of these balances will be included in the calculation of employee future benefit expense. Newfoundland Power expects to reclassify these balances as a regulatory asset on the balance sheet.

An additional difference between Canadian GAAP and U.S. GAAP relates to the period over which pension expense is recognized. Canadian GAAP allows a period that extends beyond the date when the credited service period ends. U.S. GAAP limits the period up to the date when the credited service period ends. Newfoundland Power expects to recognize the cumulative difference up to the transition to U.S. GAAP as a regulatory asset to be recovered from customers in future rates, and the disposition of this regulatory asset would depend on a future PUB order. The shorter period over which pension expense is recognized is expected to result in an increase to future pension expense, although the difference is expected to be immaterial.

U.S. GAAP also requires that OPEBs costs be recorded on an accrual basis, and prohibits the recognition of regulatory assets or liabilities associated with OPEBs costs that are recovered on a cash basis. The Company had historically recovered its OPEBs costs on a cash basis and as a result the Company was not permitted under U.S. GAAP to record its OPEBs regulatory asset. However, in December 2010 the PUB approved Newfoundland Power's application to adopt the accrual method of accounting for OPEBs costs, effective January 1, 2011. Based on the PUB's approval of the Company's application to adopt the accrual method of accounting for OPEBs, the regulatory asset can be recognized through earnings in accordance with U.S. GAAP in 2010.

The impact of adopting U.S. GAAP with respect to accounting for employee future benefits is not expected to have a material impact on the Company's earnings with the exception of the one-time adjustment in 2010 related to the Company's recognition of the OPEBs regulatory asset.

Corporate Income Taxes: Under Canadian GAAP, the Company has recognized corporate income taxes using substantially enacted corporate income tax rates. Under U.S. GAAP, the Company is required to record corporate income taxes based on enacted corporate income tax rates. Therefore, upon adoption of U.S. GAAP, the Company will be required to recognize the impact of the difference between enacted tax rates and substantially enacted tax rates related to the allocation of the Part VI.1 tax deduction from Fortis to Newfoundland Power. The retroactive adjustment to recognize the Part VI.1 tax deduction based on enacted corporate income tax rates under U.S. GAAP will result in a reduction in opening retained earnings. Annual earnings thereafter will also be impacted by the Part VI.1 tax deduction, should this deduction be allocated to the Company in future periods. However, the amount of the adjustments is expected to reverse as corporate taxation years become statute barred or once pending Canadian federal legislation is passed resulting in the enactment of the proposed corporate income tax rate changes. This difference in income tax rates applies to the Company's non-regulated activities, and as such would not qualify as a regulatory asset.

Adjustments to retained earnings based on the application of U.S. GAAP are not expected to affect Newfoundland Power's credit ratings or debt covenants.

The above items do not represent a complete list of expected differences between U.S. GAAP and Canadian GAAP, and are subject to change. Other less significant differences have also been identified. Analysis remains ongoing and additional areas where the Company's financial statements may be materially impacted may be identified prior to the Company's voluntary preparation and filing of its audited U.S. GAAP financial statements for the year ending December 31, 2011. A detailed reconciliation between the Company's audited Canadian GAAP and U.S. GAAP financial statements for 2011, including 2010 comparatives, will be disclosed as part of that voluntary filing.

The unaudited, estimated quantification and reconciliation of the Company's balance sheet as of December 31, 2010, prepared in accordance with U.S. GAAP versus Canadian GAAP has been completed based on the differences identified to date, and is summarized as follows:

Total assets as of December 31, 2010, are estimated to increase by approximately $20.8 million. The increase relates to the recognition of unamortized transitional obligations for OPEBs as a regulatory asset.

Total liabilities as of December 31, 2010, are estimated to increase by approximately $34.3 million. The increase is due to the recognition of the OPEBs unamortized transitional obligation, as discussed above, and an increase in income taxes payable in accordance with U.S. GAAP.

Shareholders' equity as of December 31, 2010, is estimated to decrease by approximately $13.5 million. The decrease is due to corporate income taxes based on enacted rates in accordance with U.S. GAAP. This decrease is expected to reverse in future years.

The unaudited, estimated quantification and reconciliation of the Company's statement of earnings for the year ended December 31, 2010, prepared in accordance with U.S. GAAP versus Canadian GAAP is summarized as follows:

> Net earnings to be reported in accordance with U.S. GAAP for the year ended December 31, 2010, is estimated to decrease by approximately $4.2 million reflecting corporate income taxes calculated using enacted tax rates.
>
> As well, net earnings for 2010 will reflect the one-time positive adjustment of approximately $46.7 million to recognize the OPEBs regulatory asset upon regulatory approval for the accrual method of accounting for OPEBs. This adjustment has no impact on retained earnings as of December 31, 2010, as it reverses a previous U.S. GAAP versus Canadian GAAP difference.

The quantification and reconciliation of the Company's financial statements from Canadian GAAP to U.S. GAAP for 2011 interim and annual reporting periods is expected to be completed by March 31, 2012.

CRITICAL ACCOUNTING ESTIMATES

Preparation of the Company's financial statements in accordance with Canadian GAAP requires management to make estimates and judgements that affect the reported amounts of assets and liabilities, and the disclosure of contingencies and commitments at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates and judgements are based on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. Due to changes in facts and circumstances and the inherent uncertainty involved in making estimates, actual results may differ from current estimates. Estimates and judgements are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period they become known. The critical accounting estimates are discussed below.

Property, Plant and Equipment, and Intangible Assets Amortization: Amortization, by its nature, is an estimate based primarily on the useful lives of assets. Estimated useful lives are based on current facts and historical information, and take into consideration the anticipated physical lives of the assets. Newfoundland Power's amortization methodology, including amortization rates, accumulated amortization and estimated remaining service lives, is subject to a periodic study by external experts. The difference between actual accumulated amortization and that indicated by the amortization study is amortized and included in customer rates in a manner prescribed by the PUB.

The most recently completed amortization study, based on property, plant and equipment, and intangible assets in service as at December 31, 2010, indicated an accumulated amortization variance of approximately $17.7 million. Subject to PUB approval, this variance is expected to increase amortization of property, plant and equipment, and intangible assets in future years which will be recovered in future customer rates.

The estimate of future removal and site restoration costs, net of salvage proceeds, is based on historical experience and future expected cost trends. The balance of this regulatory liability at December 31, 2011, was $49.8 million (December 31, 2010 - $49.5 million). The net amount of estimated future removal and site restoration costs provided for and reported in amortization expense during 2011 was $5.0 million (2010 - $5.1 million).

Capitalized Overhead: Newfoundland Power capitalizes overhead costs which are not directly attributable to specific capital assets, but which relate to the overall capital expenditure program. Capitalization reflects estimates of the portions of various general expenses that relate to the overall capital expenditure program in

accordance with a methodology ordered by the PUB. GEC is allocated over constructed property, plant and equipment, and amortized over their estimated service lives. In 2011, GEC totalled $3.7 million (2010 - $3.3 million). Changes to the methodology for calculating and allocating general overhead costs to property, plant and equipment could have a material impact on the amounts recorded as operating expenses versus property, plant and equipment. However, any change in the fundamental methodology for the calculation and allocation of GEC would require the approval of the PUB.

Income Taxes: Future income tax assets and liabilities are based upon temporary differences between the accounting and tax basis of existing assets and liabilities, the benefit of income tax reductions or tax losses available to be carried forward and the effects of changes in tax laws. The carrying amounts of assets and liabilities are based upon the amounts recorded in the financial statements and are therefore subject to accounting estimates that are inherent to those balances. The timing of the reversal of temporary differences is estimated based upon assumptions of expectations of future results of operations. The composition of future income tax assets and liabilities are reasonably likely to change from period to period because of changes in the estimation of these uncertainties.

Employee Future Benefits: The Company's primary defined benefit pension plan is subject to judgements utilized in the actuarial determination of the expense and related obligations. The primary assumptions utilized by management in determining the expense and the accrued benefit obligation are the discount rate and the expected long-term rate of return on plan assets. All assumptions are assessed and concluded in consultation with the Company's external actuarial advisor.

The discount rate as at December 31, 2011, which is utilized to determine the accrued pension benefit obligation and the 2012 pension expense, is 5.3% compared to the discount rate of 5.8% as at December 31, 2010. Discount rates reflect market interest rates on high quality bonds with cash flows that match the timing and amount of expected pension benefit payments. The methodology in determining the discount rate was consistent with that used to determine the discount rate in the previous year. The decrease in discount rates reflects lower yields on investment grade corporate bonds.

The expected long-term rate of return on pension plan assets which is used to estimate the 2012 defined benefit pension expense is 6.5%, compared to the expected long-term rate of return on plan assets of 7.0% used for the 2011 defined benefit pension expense. The actual rate of return on pension plan assets during 2011 was approximately 4.3%. As in previous years, an actuary provided the Company with a range of expected long-term pension asset returns based on their internal modelling. The expected long-term return on pension plan assets of 6.5% falls within the normal to optimistic range as indicated by the actuary.

The following table provides sensitivity to the changes in the primary assumptions associated with the Company's defined benefit pension plan:

($millions)	Pension Expense[1]	Net Accrued Benefit Asset	Accrued Benefit Obligation[2]
Impact of increasing the rate of return on plan assets assumption used during 2011 by 1.0%	(2.5)	2.5	-
Impact of decreasing the rate of return on plan assets assumption used during 2011 by 1.0%	2.5	(2.5)	-
Impact of increasing the discount rate assumption used during 2011 by 1.0%	(3.5)	3.5	(35.1)
Impact of decreasing the discount rate assumption used during 2011 by 1.0%	4.4	(4.4)	43.7

1 *For the year ended December 31, 2011. The volatility of future pension expense has been significantly mitigated with the PUB approved PEVDA in which the difference between actual pension expense and pension expense approved by the PUB for rate setting purposes would be recovered from (returned to) customers through the Company's RSA.*

2 *As at December 31, 2011.*

Other assumptions applied in measuring the defined benefit pension expense and/or the accrued pension benefit obligation were the average rate of compensation increase, average remaining service life of the active employee group, and employee and retiree mortality rates.

The Company's OPEBs are also subject to judgements utilized in the actuarial determination of the expense and related obligation. Assumptions utilized by management in determining OPEBs costs and obligations include the health care cost trend rate and the foregoing assumptions, excluding the expected long-term rate of return on plan assets and average rate of compensation increase.

For 2010 and prior, in accordance with PUB orders, Newfoundland Power expensed the cost of OPEBs on a cash basis, whereby the difference between the cash payments during the year and the expense incurred in the year is deferred as a regulatory asset. Therefore, changes in assumptions resulted in changes in the regulatory asset and did not impact earnings. Effective January 1, 2011, the PUB ordered the adoption of the accrual method of accounting for OPEBs, the amortization on a straight line basis over 15 years of the $52.6 million regulatory asset, and the creation of an OPEBs cost variance deferral account. The volatility of future OPEBs expense caused by the adoption of the accrual method has been significantly mitigated with the PUB approved OPEBs cost variance deferral account in which the difference between actual OPEBs expense and OPEBs expense approved by the PUB for rate setting purposes will be recovered from (returned to) customers through the Company's RSA.

Asset Retirement Obligations: The measurement of the fair value of asset retirement obligations ("AROs") requires the Company to make reasonable estimates about the method of settlement and settlement dates associated with legally obligated asset retirement costs. While the Company has AROs for its generation assets and certain distribution and transmission assets, there were no amounts recognized as at December 31, 2011, and December 31, 2010.

The nature, amount and timing of AROs for hydroelectric generation assets cannot be reasonably estimated at this time as these assets are expected to effectively operate in perpetuity given their nature. In the event that environmental issues are identified or hydroelectric generation assets are decommissioned, AROs will be recorded at that time provided the costs can be reasonably estimated. It is management's judgement that identified AROs for its remaining assets are immaterial.

Revenue Recognition: The Company recognizes electricity revenue on an accrual basis. Electricity is metered upon delivery to customers and recognized as revenue using approved rates when consumed. Meters are read periodically and bills are issued to customers based on those readings. At the end of each period, an estimate of electricity consumed but not yet billed is accrued as revenue. The unbilled revenue accrual for each period is based on estimated electricity sales to customers for the period since the last meter reading at the rates approved by the PUB.

The development of the electricity sales estimates requires analysis of electricity consumption on a historical basis in relation to key inputs such as the current price of electricity, population growth, economic activity, weather conditions and electricity system losses. The estimation process for accrued unbilled electricity consumption will result in adjustments to electricity revenue in the period during which the difference between actual results and those estimated becomes known. As at December 31, 2011, the amount of accrued unbilled revenue recorded in accounts receivable was approximately $32.7 million (December 31, 2010 - $28.4 million).

Contingencies: The Company is subject to various legal proceedings and claims associated with the ordinary course of business operations. It is management's judgement that the amount of liability, if any, from these actions would not have a material adverse effect on the Company's financial position or results of operations.

SELECTED ANNUAL INFORMATION

The following table sets forth the annual information for the years ended December 31, 2011, 2010 and 2009. The financial information has been prepared in accordance with Canadian GAAP for rate-regulated entities. The timing and recognition of certain assets, liabilities, revenue and expense, as a result of regulation, may differ from that otherwise expected using Canadian GAAP for non-regulated entities.

($millions, except per share amounts)	2011	2010[1]	2009[1]
Results of Operations			
Revenue	573.1	555.4	527.5
Net Earnings Applicable to Common Shares	33.7	35.0	32.6
Financial Position			
Total Assets	1,202.4	1,196.9	1,171.0
Total Long-term Liabilities	717.1	710.3	701.6
Shareholders' Equity	393.1	409.6	390.3
Per Share Data			
Earnings Applicable to Common Shares[2]	3.26	3.39	3.16
Common Dividends Declared[2]	4.86	1.52	2.44
Preference Dividends Declared[3]	2.56	2.56	2.56

1 *Certain comparative figures have been reclassified to comply with the current year's presentation.*
2 *Basic and fully diluted. Based on the weighted average number of common shares outstanding, which was 10,320,270 common shares in each year.*
3 *Based on the aggregate weighted average number of preference shares outstanding in each year, which was 908,098 in 2011 and 911,098 in both 2010 and 2009. In 2011, 3,000 preference shares were repurchased at $10 per share (2010 no preference shares were repurchased; 2009 - the Company repurchased 24,125 preference shares at $10 per share).*

The changes from 2010 to 2011 have been discussed previously in this MD&A. The increase in revenue from 2009 to 2010 was primarily the result of the January 1, 2010, customer rate increase of 3.5% and electricity sales growth. The increase in net earnings applicable to common shares was the result of the increase in customer rates effective January 1, 2010, reflecting rate base growth and a higher ROE embedded in customer rates as compared to 2009, and operational performance during 2010 which varied from the forecasts used to establish customer rates. The increase in total assets from 2009 to 2010 was due primarily to continued investment in the electricity system, and is consistent with the Company's strategy to provide safe, reliable electricity service at the lowest reasonable cost. The increase in long-term liabilities from 2009 to 2010 was primarily related to the normal operation of the weather normalization regulatory account. The decrease in common share dividends from 2009 to 2010 was to maintain an average capital structure that includes approximately 45% common equity.

FOURTH QUARTER RESULTS

	2011	2010	Change
Electricity Sales *(GWh)*[1]	1,526.6	1,488.2	38.4
Earnings Applicable to Common Shares			
$ Millions	8.0	9.2	(1.2)
$ Per Share	0.77	0.89	(0.12)
Cash Flow from Operating Activities *($millions)*	21.6	24.8	(3.2)
Cash Flow from (used in) Investing Activities *($millions)*	19.9	(20.8)	40.7
Cash Flow used in Financing Activities *($millions)*	(45.3)	(2.3)	(43.0)

1 *Reflects normalized electricity sales.*

Electricity sales for the fourth quarter of 2011 increased by 38.4 GWh or 2.6% compared to 2010. This increase was composed of: (i) an increase of 1.6% due to customer growth; and, (ii) an increase of 1.0% in average consumption reflecting higher concentration of electric heat in new home construction as well as strong economic growth.

Earnings for the fourth quarter of 2011 decreased by $1.2 million compared to the fourth quarter of 2010. The decrease in earnings was primarily the result of: (i) a lower ROE embedded in customer rates effective January 1, 2011; (ii) a decrease in other revenue related to the new support structure arrangements with Bell Aliant; (iii) a higher effective tax rate; and, (iv) an increase in operating expenses. The increase in operating expenses primarily related to increased conservation costs related to rebate programs offered to customers, higher labour costs reflecting wage and inflationary increases, and higher distribution maintenance costs. This decrease was partially offset by higher electricity sales and a reduction in purchased power costs due to higher generation associated with the Company's hydroelectric generating facilities.

Cash flow from operating activities for the fourth quarter of 2011 decreased by $3.2 million compared to the fourth quarter of 2010. The decrease was mainly the result of increased purchased power and higher income tax instalments. This was partially offset by payment received for the first eight months of joint-use pole services as a result of the new support structure arrangements with Bell Aliant effective January 2011.

Cash flow from investing activities for the fourth quarter of 2011 increased by $40.7 million compared to the fourth quarter of 2010. The increase was the result of the proceeds from Bell Aliant related to the sale of 40% of all joint-use poles and related infrastructure. The increase was partially offset by higher capital expenditures in 2011 compared to 2010.

Cash flow used in financing activities for the fourth quarter of 2011 increased by $43.0 million compared to the fourth quarter of 2010. The increase was primarily the result of higher dividends. Upon receipt of the proceeds from Bell Aliant regarding the sale of 40% of all joint-use poles and related infrastructure, a special dividend of $29.9 million was paid to Fortis to maintain the Company's capital structure composed of 55% debt and preference equity and 45% common equity.

QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the eight quarters ended March 31, 2010, through December 31, 2011. The quarterly information has been obtained from the Company's interim unaudited financial statements which, in the opinion of management, have been prepared in accordance with Canadian GAAP for rate-regulated entities. The timing and recognition of certain assets, liabilities, revenue and expense, as a result of regulation, may differ from that otherwise expected using Canadian GAAP for non-regulated entities. These financial results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

	First Quarter March 31		Second Quarter June 30		Third Quarter September 30		Fourth Quarter December 31	
(unaudited)	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Electricity Sales *(GWh)*	1,833.8	1,795.2	1,268.7	1,220.2	923.7	915.4	1,526.6	1,488.2
Revenue *($millions)*	183.0	178.3	132.6	126.3	101.4	99.1	156.1	151.7
Net Earnings Applicable to Common Shares *($millions)*	7.0	7.2	10.7	11.0	8.0	7.6	8.0	9.2
Earnings per Common Share *($)*[1]	0.68	0.70	1.03	1.06	0.78	0.74	0.77	0.89

[1] *Basic and fully diluted.*

Seasonality

Sales and Revenue: Sales and revenue are significantly higher in the first quarter and significantly lower in the third quarter compared to the remaining quarters. This reflects the seasonality of electricity consumption for heating.

Earnings: Beyond the seasonality of electricity consumption for heating, quarterly earnings are impacted by the purchased power rate structure. The Company pays more, on average, for each kilowatt hour ("kWh") of purchased power in the winter months and less, on average, for each kWh of purchased power in the summer months.

These sales, revenues and cost dynamics are expected to yield lower earnings in the first quarter compared to remaining quarters within any given year.

Trending

Sales and Revenue: Year-over-year quarterly electricity sales increases primarily reflect modest customer growth.

Earnings: Beyond the impact of expected moderate sales growth, future quarterly earnings and earnings per share are expected to trend with the ROE reflected in customer rates and rate base growth.

OUTLOOK

The Company's strategy will remain unchanged.

Newfoundland Power is regulated under a cost of service regime. Cost of service regulation entitles the Company to an opportunity to recover its reasonable cost of providing service, including its cost of capital, in each year. Newfoundland Power expects to maintain its investment grade credit ratings in 2012.

The Formula and Customer Rates: On November 23, 2011, the Company submitted an application to the PUB to suspend operation of the Formula and review Cost of Capital for 2012. On December 13, 2011, the PUB approved the suspension of the Formula and deferred a full cost of capital review until a later date. As a result of the suspension of the operation of the Formula for 2012, the Company's regulated return on common equity will remain at 8.38% and current customer electricity rates will continue in effect for 2012, both on an interim basis. A full cost of capital review is expected to be held by the PUB in 2012. The Company is currently assessing the requirement for it to file a rate case application with the PUB to recover increased costs in 2013.

Capital Plan: On July 8, 2011, the Company filed an application with the PUB requesting approval for its 2012 capital expenditure plan totalling $77.3 million. The application was approved by the PUB on December 13, 2011.

U.S. GAAP: On November 10, 2011, the Company filed an application with the PUB requesting the adoption of U.S. GAAP for regulatory purposes effective January 1, 2012. The application was approved by the PUB on December 15, 2011.

Support Structure Arrangements: On January 1, 2011, the new support structure arrangements with Bell Aliant went into effect, including Bell Aliant repurchasing 40% of all joint-use poles and related infrastructure from Newfoundland Power. This represents approximately 5% of Newfoundland Power's rate base. In 2001, Newfoundland Power purchased Bell Aliant's (formerly Aliant Telecom Inc.) joint-use poles and related infrastructure under a 10-year Joint Use Facilities Partnership Agreement ("JUFPA") which expired December 31, 2010. Bell Aliant had rented space on these poles from Newfoundland Power since 2001 with the right to repurchase 40% of all joint-use poles at the end of the term. Bell Aliant exercised the option to buy back these poles from Newfoundland Power in 2010.

The new support structure arrangements were subject to certain conditions, including PUB approval of the sale of 40% of the Company's joint-use poles. On September 28, 2011, the PUB issued an Order that approved the sale of the joint-use poles.

On October 5, 2011, proceeds in the amount of $45.7 million were received from Bell Aliant reflecting the estimated purchase price for 40% of all joint-use poles and related infrastructure. The Company also recovered its financing costs on the assets held for sale of approximately $3.3 million up to October 5, 2011. The Company utilized the proceeds from this transaction to pay down its short-term debt, and on October 7, 2011, paid a special dividend to Fortis of $29.9 million in order to maintain its capital structure of 45% common equity. On January 16, 2012, the transaction with Bell Aliant closed and a purchase price adjustment of $0.9 million was paid to Bell Aliant from the Company. The purchase price adjustment was based on the results of the pole survey completed in the fourth quarter of 2011.

Effective January 1, 2011, the Company no longer received pole rental revenue from Bell Aliant. Newfoundland Power was responsible for the construction and maintenance of Bell Aliant's support structure requirements throughout 2011. The new support structure arrangements had no material impact on the Company's ability to earn a reasonable return on its rate base in 2011.

Cost Recovery Deferral: On September 16, 2011, the Company filed an application with the PUB requesting the deferred recovery of expected increased costs in 2012 of $2.4 million due to expired regulation amortizations. The application was approved by the PUB on October 27, 2011.

Management Report

The accompanying 2011 financial statements of Newfoundland Power Inc. and all information in the 2011 Annual Report have been prepared by management, who are responsible for the integrity of the information presented, including the amounts that must, of necessity, be based on estimates and informed judgements. These financial statements were prepared in accordance with accounting principles generally accepted in Canada, including selected accounting treatments that differ from those used by entities not subject to rate regulation. Financial information contained elsewhere in the 2011 Annual Report is consistent with that in the annual audited financial statements.

In meeting its responsibility for the reliability and integrity of the financial statements, management has developed and maintains a system of accounting and reporting which provides for the necessary internal controls to ensure transactions are properly authorized and recorded, assets are safeguarded and liabilities are recognized. The systems of the Company focus on the need for training of qualified and professional staff, and the effective communication of management guidelines and policies. The effectiveness of the internal controls of Newfoundland Power Inc. is evaluated on an ongoing basis.

The Board of Directors oversees management's responsibility for financial reporting through an Audit & Risk Committee which is composed entirely of external independent directors. The Audit & Risk Committee oversees the external audit of the Company's annual financial statements, and the accounting and financial reporting and disclosure processes and policies of the Company. The Audit & Risk Committee meets with management, the shareholders' auditors and the internal auditor to discuss the results of the audit, the adequacy of internal accounting controls, and the quality and integrity of financial reporting. The Company's annual financial statements are reviewed by the Audit & Risk Committee with each of management and the shareholders' auditors before the statements are recommended to the Board of Directors for approval. The shareholders' auditors have full and free access to the Audit & Risk Committee.

The Audit & Risk Committee has the duty to review the adoption of, and changes in, accounting principles and practices which have a material effect on the Company's financial statements, and to review and report to the Board of Directors on policies relating to accounting and financial reporting and disclosure processes. The Audit & Risk Committee has the duty to review financial reports requiring the approval of the Board of Directors prior to submission to securities commissions or other regulatory authorities, to assess and review management's judgements that are material to reported financial information and to review shareholders' auditors' independence and auditors' fees.

The December 31, 2011, financial statements and Management Discussion and Analysis contained in the 2011 Annual Report were reviewed by the Audit & Risk Committee and, on their recommendation, were approved by the Board of Directors of Newfoundland Power Inc. Ernst & Young, LLP, independent auditors appointed by the shareholders of Newfoundland Power Inc. upon recommendation of the Audit & Risk Committee, have performed an audit of the 2011 financial statements and their report follows.

Earl Ludlow
President
and Chief Executive Officer

Jocelyn Perry
Vice President, Finance
and Chief Financial Officer

Independent Auditors' Report

To the Shareholders,
Newfoundland Power Inc.

We have audited the accompanying financial statements of Newfoundland Power Inc., which comprise the balance sheets as at December 31, 2011, and 2010, and the statements of earnings, statements of retained earnings and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Newfoundland Power Inc. as at December 31, 2011, and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
St. John's, Canada

February 7, 2012

Statements of Earnings

For the years ended December 31

(in thousands of Canadian dollars except per share amounts)

	2011	2010
Revenue	$ 573,072	$ 555,355
Purchased power	369,484	358,443
Gross Margin	203,588	196,912
Operating expenses	56,615	53,830
Employee future benefits	20,569	8,381
Amortization	42,695	43,358
Amortization true-up deferral *(Note 2)*	-	3,862
Cost recovery deferral *(Note 6)*	(2,363)	-
Finance charges *(Note 7)*	35,944	36,038
	153,460	145,469
Earnings Before Income Taxes	50,128	51,443
Income taxes *(Note 8)*	15,876	15,870
Net Earnings	34,252	35,573
Preference share dividends	567	568
Net Earnings Applicable to Common Shares	$ 33,685	$ 35,005
Basic and Diluted Earnings per Common Share	$ 3.26	$ 3.39

Statements of Retained Earnings

For the years ended December 31

(in thousands of Canadian dollars)

	2011	2010
Balance, Beginning of the Year	$ 330,181	$ 310,864
Net earnings	34,252	35,573
Dividends		
Preference shares	(567)	(568)
Common shares	(50,157)	(15,688)
Balance, End of the Year	$ 313,709	$ 330,181

See accompanying notes to financial statements.

Balance Sheets

As at December 31

(in thousands of Canadian dollars)

	2011	2010
Assets *(Note 15)*		
Current assets		
Cash	$ 330	$ 4,182
Accounts receivable *(Note 4)*	77,091	61,654
Materials and supplies *(Note 5)*	1,140	992
Prepaid expenses	1,084	1,327
Regulatory assets *(Note 6)*	18,041	11,536
	97,686	79,691
Assets held for sale *(Note 9)*	-	44,698
Property, plant and equipment *(Note 10)*	812,766	776,382
Intangible assets *(Note 11)*	14,582	15,310
Regulatory assets *(Note 6)*	181,859	181,454
Accrued pension *(Note 12)*	93,963	97,755
Other assets *(Note 13)*	1,527	1,647
	$ 1,202,383	$ 1,196,937
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued charges	$ 72,514	$ 56,712
Interest payable	7,470	7,557
Income taxes payable	4,043	4,302
Current instalments of long-term debt *(Note 15)*	5,200	5,200
Future income taxes *(Note 8)*	2,992	3,211
	92,219	76,982
Regulatory liabilities *(Note 6)*	60,663	57,371
Other post-employment benefits *(Note 12)*	56,255	52,559
Other liabilities *(Note 16)*	4,473	4,253
Future income taxes *(Note 8)*	125,402	125,877
Long-term debt *(Note 15)*	470,260	470,282
	809,272	787,324
Shareholders' equity		
Common shares *(Note 17)*	70,321	70,321
Preference shares *(Note 17)*	9,081	9,111
Retained earnings	313,709	330,181
	393,111	409,613
	$ 1,202,383	$ 1,196,937

Commitments *(Note 21)*

See accompanying notes to financial statements.

APPROVED ON BEHALF OF THE BOARD:

Jo Mark Zurel
Director

Peggy Bartlett
Director

Statements of Cash Flows

For the years ended December 31

(in thousands of Canadian dollars)

	2011	2010
Cash From (Used In) Operating Activities		
Net earnings	$ 34,252	$ 35,573
Items not affecting cash		
Amortization of property, plant and equipment	39,896	40,521
Amortization of intangible assets and other	3,107	3,107
Change in long-term regulatory assets and liabilities	5,898	11,364
Future income taxes	(3,755)	(1,903)
Employee future benefits	7,717	216
Equity portion of allowance for funds used during construction *(Note 2)*	(460)	(405)
	86,655	88,473
Change in non-cash working capital	(6,610)	5,688
	80,045	94,161
Cash From (Used In) Investing Activities		
Net proceeds from sale to Bell Aliant *(Note 9)*	44,735	-
Capital expenditures	(78,436)	(75,942)
Intangible asset expenditures	(2,071)	(2,034)
Contributions from customers	2,848	2,789
Other	111	156
	(32,813)	(75,031)
Cash From (Used In) Financing Activities		
Proceeds of committed credit facility	5,000	1,500
Repayment of long-term debt	(5,200)	(5,200)
Proceeds from related party loan *(Note 18)*	25,000	-
Repayment of related party loan *(Note 18)*	(25,000)	-
Payment of debt financing costs	(130)	(300)
Redemption of preference shares *(Note 17)*	(30)	-
Dividends		
Preference shares	(567)	(568)
Common shares	(50,157)	(15,688)
	(51,084)	(20,256)
Decrease in Cash	(3,852)	(1,126)
Cash, Beginning of the Year	4,182	5,308
Cash, End of the Year	$ 330	$ 4,182
Cash Flows Include the Following Elements		
Interest paid	$ 35,990	$ 36,127
Income taxes paid	$ 17,836	$ 6,790

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2011

Tabular amounts are in thousands of Canadian dollars unless otherwise noted.

1. Description of the Business

Newfoundland Power Inc. (the "Company" or "Newfoundland Power") is a regulated electricity utility that operates an integrated generation, transmission and distribution system throughout the island portion of Newfoundland and Labrador. The Company is regulated by the Newfoundland and Labrador Board of Commissioners of Public Utilities (the "PUB") and serves over 247,000 customers comprising approximately 87% of all electricity consumers in the Province. All the common shares of the Company are owned by Fortis Inc. ("Fortis"). Newfoundland Power has an installed generating capacity of 140 megawatts ("MW"), of which approximately 97 MW is hydroelectric generation. It generates approximately 7% of its energy needs and purchases the remainder from Newfoundland and Labrador Hydro ("Hydro").

The Company operates under cost of service regulation as administered by the PUB under the *Public Utilities Act (Newfoundland and Labrador)* ("Public Utilities Act").

The Public Utilities Act provides for the PUB's general supervision of the Company's utility operations and requires the PUB to approve, among other things, customer rates, capital expenditures and the issuance of securities. The Public Utilities Act also entitles the Company an opportunity to recover all reasonable and prudent costs incurred in providing electricity service to its customers, including a just and reasonable return on its rate base. The rate base consists of the net assets required by the Company to provide service to customers.

The determination of the forecast return on rate base, together with the forecast of all reasonable and prudent costs, establishes the revenue requirement upon which the Company's customer rates are determined through a general rate hearing. Rates are bundled to include generation, transmission and distribution services.

Between general rate hearings, customer rates are established annually through an automatic adjustment formula (the "Formula"). The Formula sets the rate of return on common equity ("ROE") which is used to determine the rate of return on rate base. In accordance with the operation of the Formula, the Company's rate of return on common equity, for purposes of setting rates, was reduced to 8.38% for 2011 from 9.00% in 2010. The Company's rate of return on rate base was reduced to 7.96%, with a range of 7.78% to 8.14% for 2011, from 8.23%, with a range of 8.05% to 8.41% in 2010.

On December 13, 2011, the PUB approved the Company's application to suspend operation of the Formula for 2012. As a result, the Company's regulated return on common equity will remain at 8.38%, the rate of return on rate base will continue at 7.96%, and current customer electricity rates will continue in effect for 2012, all on an interim basis. A full cost of capital review is expected to be held by the PUB in 2012.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). As a result of rate-regulation, the timing of the recognition of certain assets, liabilities, revenues and expenses may differ from that otherwise expected under Canadian GAAP for entities not subject to rate-regulation. These differences are disclosed below and in Note 6.

Revenue Recognition

Revenue is recognized under the accrual method when service is rendered. Electricity is metered upon delivery to customers and recognized as revenue using approved rates when consumed. Meters are read periodically and bills are issued to customers based on these readings. At the end of each period, an estimate of electricity consumed but not yet billed is accrued as revenue. The unbilled revenue accrual for each period is based on estimated electricity sales to customers for the period since the last meter reading at the rates approved by the PUB. The development of the electricity sales estimates requires analysis of electricity consumption on a historical basis in relation to key inputs such as the current price of electricity, population growth, economic activity, weather conditions and electricity system losses.

Revenue arising from the amortization of certain regulatory assets and liabilities is recognized in the manner prescribed by the PUB, as disclosed in Note 6.

Materials and Supplies

Materials and supplies, representing fuel and materials required for maintenance activities, are carried at the lower of cost or net realizable value. Materials and supplies expensed in 2011 and 2010 were immaterial.

Regulatory Assets and Liabilities

Regulatory assets and liabilities arise as a result of the rate setting process. Regulatory assets represent future revenues associated with certain costs incurred in the current or prior periods that will be, or are expected to be, recovered from customers in future periods through the rate setting process. Regulatory liabilities represent future reductions or limitations of increases in revenues associated with amounts that will be, or are expected to be, refunded to customers through the rate setting process. The accounting methods underlying regulatory assets and liabilities, and their eventual settlement through the rate setting process, are approved by the PUB and impact the Company's cash flows.

Property, Plant and Equipment

Property, plant and equipment are stated at values approved by the PUB as at June 30, 1966, with subsequent additions at cost.

Contributions in aid of construction represent the cost of utility property, plant and equipment contributed by customers and government. These contributions are recorded as a reduction in the cost of utility property, plant and equipment.

The Company capitalizes certain overhead costs not directly attributable to specific property, plant and equipment but which do relate to its overall capital expenditure program (general expenses capitalized or "GEC"). The methodology for calculating and allocating GEC among classes of property, plant and equipment is established by PUB order. In the absence of rate-regulation, only those overhead costs directly attributable to construction activity would be capitalized. In 2011, GEC totalled $3.7 million (2010 - $3.3 million).

The Company capitalizes an allowance for funds used during construction ("AFUDC"), which represents the cost of debt and equity financing incurred during construction of property, plant and equipment. AFUDC is calculated in a manner prescribed by the PUB based on a capitalization rate that is the Company's weighted average cost of capital. In 2011, the cost of equity financing capitalized as an AFUDC and recorded in revenue was approximately $0.5 million (2010 - $0.4 million). The interest component of AFUDC is recorded as a deduction from financing charges.

Property, plant and equipment are amortized using the straight-line method by applying the amortization rates approved by the PUB and disclosed below to the average original cost, including GEC and AFUDC, of the related assets.

2. Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment (cont'd)

The composite amortization rates for the Company's property, plant and equipment, as well as their service life ranges and average remaining service lives as at December 31, follow:

	Composite Amortization Rate		Service Life (Years)			
			Range		Average Remaining	
	2011	2010	2011	2010	2011	2010
Distribution	3.1%	3.1%	16-65	16-65	23	23
Transmission and substations	2.9	2.9	31-65	31-65	26	26
Generation	2.6	2.6	13-75	13-75	32	32
Transportation and communications	8.9	8.9	5-30	5-30	5	5
Buildings	2.3	2.3	35-70	35-70	27	27
Equipment	9.0	9.0	5-25	5-25	5	5
	3.4%	3.4%				

The Company's amortization methodology, including amortization rates, accumulated amortization and estimated remaining service lives, is subject to periodic review by external experts (the "Amortization Study"). The difference between actual accumulated amortization and that indicated by the Amortization Study is treated as an amortization reserve ("Amortization True-Up") which is used to increase or decrease amortization expense and is included in customer rates in a manner prescribed by the PUB. The most recent Amortization Study, based on capital assets in service as at December 31, 2010, indicated an accumulated Amortization True-Up of $17.7 million. Subject to PUB approval, this Amortization True-Up is expected to increase the amortization of capital assets in future years which will be recovered in future customer rates.

The 2006 Amortization Study, based on property, plant and equipment in service as at December 31, 2005, indicated an accumulated amortization variance of $0.7 million. The PUB ordered that it be amortized as a decrease in amortization expense equally over 2008 - 2011.

Based on a 2002 Amortization Study, the PUB ordered the deferred recovery of approximately $11.6 million, $5.8 million in each of 2006 and 2007, related to a variance in accumulated amortization. The PUB ordered that it be amortized as an increase in the Amortization True-Up deferral expense evenly through 2008 – 2010.

Upon disposition, the original cost of property, plant and equipment is removed from the asset accounts. That amount, net of salvage proceeds, is also removed from accumulated amortization. As a result, any gain or loss is charged to accumulated amortization and is effectively included in the Amortization True-Up arising from the next Amortization Study. In 2011, approximately $8.4 million (2010 - $7.7 million) of losses were charged to accumulated amortization. In the absence of rate-regulation, these amounts would have been recognized as losses upon disposition.

Intangible Assets

Intangible assets are recorded at cost and amortized over their estimated useful lives on a straight-line basis by applying the amortization rates approved by the PUB. The weighted average amortization rates for intangible assets in 2011 were 10% for computer software (2010 – 10.0%) and 1.6% for land rights (2010 – 1.6%).

Upon disposition, the original cost of the intangible asset is removed from the asset accounts. That amount, net of salvage proceeds, is also removed from accumulated amortization. As a result, any gain or loss is charged to accumulated amortization and is effectively included in the accumulated amortization variance arising from the next Amortization Study.

Impairment of Long-Lived Assets

The Company reviews the valuation of property, plant and equipment, intangible assets and other long-term assets when events or changes in circumstances indicate that the assets' carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. An impairment loss, calculated as the difference between the assets' carrying value and their fair value, which is determined using present value techniques, is recognized in earnings in the period in which it is identified. There was no impact on the financial statements as a result of asset impairments for the years ended December 31, 2011, and 2010.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities. The future income tax assets and liabilities are measured using substantively enacted income tax rates and laws that will be in effect when the differences are expected to be recovered or settled. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in earnings in the period that the change occurs. Current income tax expense is recognized for the estimated income taxes payable or receivable in the current year.

As approved by the PUB, Newfoundland Power recovers current income tax expense in customer rates. The Company is permitted to recover future income tax expense by the PUB as follows:

> Effective January 1, 1981, future income tax liabilities are recognized, and recovered in customer rates, on temporary timing differences associated with the cumulative excess of capital cost allowance over amortization of property, plant and equipment, excluding GEC.
>
> Effective January 1, 2008, future income taxes are recognized and recovered in customer rates on temporary timing differences between pension expense and pension funding.
>
> Future income tax expense (recovery) associated with the Company's regulatory reserves and certain regulatory deferrals is also recognized and included in the determination of customer rates. See Note 6.
>
> Effective January 1, 2011, future income taxes are to be recognized and recovered in customer rates on temporary timing differences between other post-employment benefits ("OPEBs") costs recovered using the accrual method and that using the cash method.

Future income tax assets and liabilities associated with other temporary timing differences between the tax basis of assets and liabilities and their carrying amount are not included in customer rates. These amounts are expected to be recovered from (refunded to) customers through rates when the income taxes actually become payable (recoverable). The Company has recognized this future income tax liability with an offsetting increase in regulated assets. The Company's net regulatory asset for future income taxes at December 31, 2011, was $129.0 million (2010 - $126.2 million). See Note 6.

2. Summary of Significant Accounting Policies (cont'd)

Employee Future Benefits

Newfoundland Power maintains defined contribution and defined benefit pension plans for its employees and also provides OPEBs. OPEBs are composed of retirement allowances for retiring employees as well as health, medical and life insurance for retirees and their dependants.

Defined Contribution and Defined Benefit Pension Plans

Defined contribution pension plan costs are expensed as incurred.

The pension costs and accrued benefit obligations of the defined benefit pension plans are actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. Pension plan assets are valued using the market-related value where investment returns in excess of or below expected returns are recognized in asset value over a period of three years. The excess of the cumulative net actuarial gain or loss over 10% of the greater of the benefit obligation and the market-related value of plan assets is amortized over the estimated average remaining service period of active employees. The transitional obligation arising from the Company's January 1, 2000, adoption of Section 3461 of the Canadian Institute of Chartered Accountants ("CICA") Handbook is being amortized on a straight-line basis over the 18 year expected average remaining service period of plan members at that time. Unamortized past service costs are amortized over a range of 5 - 15 years. See Notes 6 and 12.

Effective January 1, 2010, the PUB ordered the creation of a pension expense variance deferral account ("PEVDA"). This account will be charged or credited with the amount by which actual pension expense differs from amounts approved in rates by the PUB. Each year, at March 31, the balance in the PEVDA will be transferred to the Company's Rate Stabilization Account ("RSA") and disposed of in accordance with the operation of the RSA. See Note 6.

Other Post-Employment Benefits

OPEBs costs and the accrued OPEBs obligation are actuarially determined using the projected benefits method prorated on service and best estimate assumptions. The excess of any cumulative net actuarial gain or loss over 10% of the benefit obligation, along with unamortized past service costs is amortized over the estimated average remaining service period of active employees. The transitional obligation arising from the Company's January 1, 2000, adoption of Section 3461 of the CICA Handbook is being amortized on a straight line basis over the 18 year expected average remaining service period of plan members at that time. See Note 12.

Up to and including December 31, 2010, OPEBs costs were expensed when benefits are paid. In the absence of rate-regulation, OPEBs costs would have been expensed on an accrual basis as actuarially determined. The portion of the actuarially determined costs that has not been recognized as an expense has been deferred as a regulatory asset. See Note 6.

Effective January 1, 2011, the PUB ordered the adoption of the accrual method of accounting for OPEBs, the amortization on a straight line basis over 15 years of the $52.6 million regulatory asset, and the creation of an OPEBs cost variance deferral account. This account will be charged or credited with the amount by which actual OPEBs expense differs from amounts approved in rates by the PUB. Each year, at March 31, the balance in the OPEBs cost variance deferral account will be transferred to the Company's RSA and disposed of in accordance with the operation of the RSA. See Note 6.

Financial Instruments

The Company has designated its financial instruments as follows:

(a) Cash is classified as “Held for Trading”. After its initial fair value measurement, any change in fair value is recognized in earnings.
(b) Certain accounts receivable and loans under customer finance plans (Note 13) are classified as “Loans and Receivables”.
(c) Short-term borrowings, bank indebtedness, accounts payable and accrued charges, security deposits (Note 16) and long-term debt (Note 15) are classified as “Other Financial Liabilities”.

Initial measurement of Loans and Receivables and Other Financial Liabilities are at fair value and incorporates transaction costs, including debt issue costs. Subsequent measurement is at amortized cost using the effective interest method. For the Company, the measurement amount approximates cost.

Asset Retirement Obligations

Under Canadian GAAP, the Company is required to record the fair value of future expenditures necessary to settle legal obligations associated with asset retirements even though the timing or method of settlement is conditional on future events. Newfoundland Power has determined that there are asset retirement obligations (“AROs”) associated with its hydroelectric generation assets, and some parts of its transmission and distribution system.

For hydroelectric generation assets, the legal obligation is the environmental remediation of the land and waterways to protect fish habitat. However, this obligation is conditional on the decision to decommission generation assets. The Company currently has no plans to decommission any of its hydroelectric generation assets as they are effectively operated in perpetuity. Therefore, the nature and fair value of any ARO is not currently determinable.

The legal obligations for the transmission and distribution system pertain to the proper disposal of used oil and polychlorinated biphenyls (“PCBs”) contaminated assets and obligations related to other Company facilities consist of the removal of fuel storage tanks and asbestos. These obligations were determined to be immaterial and therefore no AROs have been recognized.

The Company will recognize AROs and offsetting property, plant and equipment if the nature and timing can reasonably be determined and the amount is material.

Use of Accounting Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and judgements that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates and judgements are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Additionally, certain estimates are necessary since the regulatory environment in which the Company operates often require 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 involved in making estimates, actual results may differ significantly from current estimates. Estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period in which they either, as appropriate, become known or included in customer rates.

3. Change in Accounting Policies

Future Changes

Effective January 1, 2012, the Company will be required to adopt a new set of accounting standards. Publicly accountable enterprises in Canada were required to adopt International Financial Reporting Standards ("IFRS") effective January 1, 2011; however, qualifying entities with rate-regulated activities were granted an optional one-year deferral for the adoption of IFRS, due to continued uncertainty around the adoption of a rate-regulated accounting standard by the International Accounting Standards Board ("IASB"). As a qualifying entity with rate-regulated activities, the Company elected to opt for the one-year deferral and, therefore, has continued to prepare its financial statements in accordance with Part V of the CICA Handbook for all interim and annual periods ending on or before December 31, 2011.

Due to continued uncertainty around the adoption of a rate-regulated accounting standard by the IASB, the Company has evaluated the option of adopting United States generally accepted accounting principles ("U.S. GAAP"), as opposed to IFRS, and has decided to adopt U.S. GAAP effective January 1, 2012.

Canadian securities rules allow a reporting issuer to prepare and file its financial statements in accordance with U.S. GAAP by qualifying as a U.S. Securities and Exchange Commission ("SEC") Issuer. On June 6, 2011, an application was filed with the Ontario Securities Commission (the "OSC") seeking relief, pursuant to National Policy 11-203 – *Process for Exemptive Relief Applications in Multiple Jurisdictions*, to permit Fortis and its reporting issuer subsidiaries, including Newfoundland Power, to prepare their financial statements in accordance with U.S. GAAP without qualifying as SEC Issuers (the "Exemption"). On June 9, 2011, the OSC granted the Exemption for financial years commencing on or after January 1, 2012, but before January 1, 2015, and interim periods therein. The Exemption will terminate in respect of financial statements for annual and interim periods commencing on or after the earlier of: (i) January 1, 2015; or, (ii) the date on which the Company ceases to have activities subject to rate-regulation.

The Company also required an amendment to regulations made under the *Corporations Act (Newfoundland and Labrador)* in order to prepare its financial statements in accordance with U.S. GAAP. The amendment was enacted in the third quarter of 2011.

The Company's application of Canadian GAAP currently references U.S. GAAP for guidance on accounting for rate-regulated activities. The adoption of U.S. GAAP in 2012 is, therefore, expected to result in fewer significant changes to the Company's accounting policies as compared to accounting policy changes that may have resulted from the adoption of IFRS. U.S. GAAP guidance on accounting for rate-regulated activities allows the economic impact of rate-regulated activities to be recognized in the financial statements in a manner consistent with the timing by which amounts are reflected in customer rates.

4. Accounts Receivable

	2011	2010
Trade accounts receivable	$ 78,159	$ 62,448
Other	615	584
Allowance for doubtful accounts	(1,683)	(1,378)
	$ 77,091	$ 61,654

5. Materials and Supplies

	2011	2010
Materials and supplies	$ 910	$ 809
Fuel in storage	230	183
	$ 1,140	$ 992

6. Regulatory Assets and Liabilities

The Company's regulatory assets and liabilities which will be, or are expected to be, reflected in customer rates in future periods, follow:

	2011		2010	
	Current	Non-current	Current	Non-current
Regulatory Assets				
Rate stabilization account *(i)*	$ 8,571	$ 3,863	$ 1,847	$ 1,876
OPEBs *(ii)*	3,504	45,552	3,504	49,055
Weather normalization account *(iii)*	2,102	-	2,102	2,102
Pension deferral *(iv)*	1,128	2,537	1,128	3,665
Cost recovery deferral *(v)*	-	2,363	-	-
Deferred GRA costs *(vi)*	253	-	253	253
Conservation and demand management deferral *(vii)*	339	339	339	678
Optional seasonal rate revenue and cost recovery account *(viii)*	-	328	-	-
Future income taxes *(Note 2)*	2,144	126,877	2,363	123,825
	$ 18,041	$ 181,859	$ 11,536	$ 181,454
Regulatory Liabilities				
Weather normalization account *(iii)*	$ -	$ 9,108	$ -	$ 6,892
Future removal and site restoration provision *(ix)*	-	49,754	-	49,485
Demand management incentive account *(x)*	-	1,801	-	994
	$ -	$ 60,663	$ -	$ 57,371

(i) Rate Stabilization Account ("RSA")

On July 1 of each year, customer rates are recalculated in order to recover from or refund to customers, over the subsequent twelve months, the balance in the RSA as of March 31 of the current year. The amount and timing of the recovery or refund is subject to PUB approval.

The RSA passes through, to the Company's customers, amounts primarily related to changes in the cost and quantity of fuel used by Hydro to produce the electricity sold to the Company. In the absence of rate-regulation these transactions would be accounted for as incurred.

6. Regulatory Assets and Liabilities (cont'd)

(i) Rate Stabilization Account (cont'd)

The RSA also passes through, to the Company's customers, variations in purchased power expense caused by differences between the actual unit cost of energy and that reflected in customer rates ("energy supply cost variance"). The marginal cost of purchased power for the Company currently exceeds the average cost that is embedded in customer rates. To the extent actual electricity sales in any period exceed forecast electricity sales used to set customer rates, marginal purchased power expense will exceed related revenue. In the absence of rate-regulation, purchased power expense in 2011 would have been $6.9 million higher (2010 - $2.2 million higher).

Effective January 1, 2010, the PUB approved the PEVDA as described in Note 2 to capture the difference between the annual pension expense approved for rate setting purposes and actual pension expense. The balance in this account will be transferred to the RSA on March 31 in the year in which the difference arises. The amount transferred to the RSA in 2011 was $2.9 million (2010 – ($0.6 million)). In the absence of rate-regulation, revenue in 2011 would have been $2.9 million lower (2010 - $0.6 million higher).

Effective January 1, 2011, the PUB approved the OPEBs cost variance deferral account as described in Note 2 to capture the difference between the annual OPEBs expense approved for rate setting purposes and actual OPEBs expense. The balance in this account will be transferred to the RSA on March 31 in the year in which the difference arises. The amount transferred to the RSA in 2011 was $0.2 million. In the absence of rate-regulation, revenue in 2011 would have been $0.2 million lower.

The RSA is also adjusted from time-to-time by other amounts as approved by the PUB.

(ii) OPEBs

This regulatory asset represents the accumulated difference between OPEBs expense recognized on a cash basis for regulatory purposes and an accrual basis for financial reporting purposes since 2000. The accumulated difference arose from the Company's January 1, 2000, adoption of Section 3461 of the CICA Handbook that requires OPEBs expense to be recognized on an accrual basis. Effective January 1, 2011, the PUB ordered the adoption of the accrual method of accounting for OPEBs and the $52.6 million regulatory asset be amortized equally over 15 years. In the absence of rate-regulation, these costs would have been recorded as an operating expense as accrued.

In the absence of rate-regulation, OPEBs costs recognized in 2011 employee future benefits would have been $3.5 million lower (2010 - $5.8 million higher).

(iii) Weather Normalization Account

The Weather Normalization Account reduces earnings volatility by adjusting purchased power expense and electricity sales revenue to eliminate variances in purchases and sales caused by the difference between normal weather conditions, based on long-term averages, and actual weather conditions. In the absence of rate-regulation these fluctuations would have been recognized in earnings in the period in which they occurred.

The balance in the Weather Normalization Account, because it is based on long-term averages for weather conditions, should tend to zero over time. However, the Company identified non-reversing balances in the account arising from changes in purchased power rates and income tax rates. In 2008, the PUB ordered that a non-reversing balance of approximately $6.8 million be amortized equally over 2008 - 2012 as an increase in purchased power expense of approximately $2.1 million and a decrease in future income tax expense of approximately $0.7 million in each year.

The recovery period for the remaining balance in the Weather Normalization Account is not determinable as it depends on future weather conditions. In the absence of rate-regulation, revenue in 2011 would have been $7.2 million lower (2010 - $20.4 million lower), purchased power expense in 2011 would have been $11.8 million lower (2010 - $29.2 million lower) and future income tax expense in 2011 would have been $1.5 million higher (2010 - $2.9 million higher).

(iv) Pension Deferral

The PUB ordered that approximately $11.3 million of incremental pension costs arising from the Company's 2005 early retirement program be deferred and amortized to pension expense equally over a ten year period beginning April 1, 2005. In the absence of rate-regulation, these costs would have been expensed in 2005.

(v) Cost Recovery Deferral

Effective January 1, 2011, the PUB ordered the deferred recovery of $2.4 million due to the conclusion of various regulatory amortizations. The disposition of balances in this account will be determined by a further order of the PUB. In the absence of rate-regulation, these costs would have been expensed in 2011.

(vi) Deferred GRA Costs

In 2007, the PUB ordered that external costs related to the Company's 2008 rate case be deferred and amortized evenly over 2008 – 2010 as an increase to operating expense. In the absence of rate-regulation, these costs would have been expensed as incurred.

In 2009, the PUB ordered $0.8 million of external costs related to the Company's 2010 rate case be deferred and amortized equally over 2010 – 2012. In the absence of rate-regulation, these costs would have been expensed in 2009.

(vii) Conservation and Demand Management Deferral

In 2009, the PUB ordered the deferral of $1.4 million of costs, associated with the implementation of conservation and demand management programs. In 2009, the PUB ordered that these costs be amortized evenly over 2010 – 2013 as an increase to operating expense. In the absence of rate-regulation, these costs would have been expensed in 2009.

(viii) Optional Seasonal Rate Revenue and Cost Recovery Account

Effective July 1, 2011, an optional seasonal rate for Domestic Customers was introduced. This optional seasonal rate charges a higher price for electricity during the months of December to April and a lower rate for May to November. The Company also initiated a study to evaluate time of day rates over a two-year period. On April 13, 2011, the PUB approved the creation of an Optional Seasonal Rate Revenue and Cost Recovery Account that provides for the deferral of annual costs and revenue effects associated with implementing optional rates and conducting the time of day study. The balance in this account will be transferred to the RSA on March 31 in the year in which the difference arises. In the absence of rate-regulation, revenue in 2011 would have been $0.1 million lower, operating expenses in 2011 would have been $0.3 million higher and future income tax expense in 2011 would have been $0.1 million lower.

(ix) Future Removal and Site Restoration Provision

This regulatory liability represents amounts collected in customer electricity rates over the life of certain property, plant and equipment which are attributable to removal and site restoration costs that are expected to be incurred in the future. Actual removal and site restoration costs, net of salvage proceeds, are recorded against the regulatory liability when incurred. The regulatory liability represents the amount of expected future removal and site restoration costs associated with property, plant and equipment in service as at December 31, calculated using current amortization rates as approved by the PUB. In the absence of rate-regulation, removal and site restoration costs, net of salvage proceeds, would have been recognized as an operating expense when incurred.

6. Regulatory Assets and Liabilities (cont'd)

(x) Demand Management Incentive Account ("DMI")

Through the DMI, variations in the unit cost of purchased power related to demand are limited, at the discretion of the PUB, to 1% of demand costs reflected in customer rates. The disposition of balances in this account are determined by orders of the PUB following consideration of the Company's conservation and demand management activities. In the absence of rate-regulation, purchased power expense would have been $1.8 million lower in 2011 (2010 - $1.0 million lower).

7. Finance Charges

	2011	2010
Interest - first mortgage sinking fund bonds	$ 35,444	$ 35,850
Interest - committed credit facility	672	316
Interest - other	30	18
Total interest expense	36,146	36,184
Amortization - debt issue costs	190	190
Amortization - committed credit facility costs	118	42
Amortization - capital stock issue costs	-	37
Interest portion of AFUDC *(Note 2)*	(510)	(415)
	$ 35,944	$ 36,038

8. Income Taxes

The composition of the Company's income tax expense follows:

	2011	2010
Current income tax expense	$ 19,631	$ 17,773
Future income tax recovery	(694)	(267)
Less: regulatory adjustment	(3,061)	(1,636)
	$ 15,876	$ 15,870

Income taxes differ from the amount that would be determined by applying the enacted combined Canadian federal and provincial statutory income tax rate to earnings before income taxes. A reconciliation of the combined statutory income tax rate to the Company's effective income tax rate follows:

	2011	2010
Earnings before income taxes per financial statements	$ 50,128	$ 51,443
Statutory tax rate	30.5%	32.0%
Income taxes, at statutory rate	15,289	16,462
Items capitalized for accounting purposes but expensed for income tax purposes	(1,439)	(1,323)
Difference between capital cost allowance and amortization claimed for accounting purposes	1,123	1,009
Difference between pension funding and pension expense for accounting purposes	60	(20)
Difference between OPEBs premiums and retirement allowances paid and OPEBs expense for accounting purposes	100	-
Change in tax reserve for unpaid compensation	681	-
Allocation of Part VI.I tax	221	(329)
Other	(159)	71
Income tax expense	$ 15,876	$ 15,870
Effective income tax rate	31.7%	30.9%

Future Income Taxes

The composition of the Company's future income tax liability follows:

	2011	2010
Future income tax liabilities		
Property, plant and equipment	$ 101,974	$ 97,073
Intangible assets	5,509	5,891
Regulatory assets	23,871	25,988
Defined benefit pension plan	39,326	39,459
Debt financing costs	1,119	1,197
Total future income tax liabilities	171,799	169,608
Future income tax assets		
Regulatory liabilities	(18,885)	(17,602)
Other post-employment benefits	(22,977)	(21,468)
Defined benefit pension plan	(599)	(600)
Defined contribution pension liability	(944)	(850)
Total future income tax assets	(43,405)	(40,520)
Net future income tax liability	$ 128,394	$ 129,088
Current future income tax liability	$ 2,992	$ 3,211
Long-term future income tax liability	125,402	125,877
Net future income tax liability	$ 128,394	$ 129,088

The net future income tax liability includes a gross up to reflect the income tax associated with future revenue required to fund the net future income tax liability.

8. Income Taxes (cont'd)

As at December 31, 2011, the Company had no capital losses (2010 - nil) carried forward.

As at December 31, 2011, the Company's tax years still open to examination by taxing authorities include 2007 and subsequent years. With few exceptions, the Company is no longer subject to examination for years prior to 2007.

9. Assets Held for Sale

On December 22, 2010, the Company signed new support structure arrangements, effective January 1, 2011, with Bell Aliant (formerly Aliant Telecom Inc.) where Bell Aliant would repurchase 40% of all joint-use poles and related infrastructure at a price of approximately $45.7 million. This represented approximately 5% of Newfoundland Power's rate base. In 2001, Newfoundland Power purchased the joint-use poles and related infrastructure under a 10-year Joint Use Facilities Partnership Agreement ("JUFPA") which expired December 31, 2010. Bell Aliant had rented space on these poles from Newfoundland Power since 2001 with the right to repurchase 40% of all joint-use poles at the end of the term. Bell Aliant exercised the option to repurchase these poles from Newfoundland Power.

Effective January 1, 2011, the Company no longer received pole rental revenue from Bell Aliant. However, Newfoundland Power was responsible for the construction and maintenance of Bell Aliant's support structures throughout 2011.

The new support structure arrangements were subject to certain conditions, including PUB approval of the sale of 40% of the Company's joint-use poles. On September 28, 2011, the PUB issued an order that approved of the sale of the joint-use poles. On October 5, 2011, the transaction substantially closed and proceeds in the amount of $45.7 million were received from Bell Aliant. The estimated purchase price is subject to adjustment based upon the results of a pole survey completed in 2011 (Note 23).

10. Property, Plant and Equipment

	Cost		Accumulated Amortization		Net Book Value	
	2011	2010	2011	2010	2011	2010
Distribution	$ 710,648	$ 752,901	$ 258,857	$ 274,142	$ 451,791	$ 478,759
Transmission and substations	260,398	246,762	92,513	90,812	167,885	155,950
Generation	180,679	173,314	56,798	53,259	123,881	120,055
Transportation and communications	34,305	34,716	18,204	18,138	16,101	16,578
Land, buildings and equipment	71,660	69,489	29,167	28,154	42,493	41,335
Construction in progress	5,190	3,584	-	-	5,190	3,584
Construction materials	5,425	4,819	-	-	5,425	4,819
	1,268,305	1,285,585	455,539	464,505	812,766	821,080
Less assets held for sale *(Note 9)*	-	(72,775)	-	(28,077)	-	(44,698)
	$ 1,268,305	$ 1,212,810	$ 455,539	$ 436,428	$ 812,766	$ 776,382

Distribution assets are used to distribute low voltage electricity to customers and include poles, towers and fixtures, low voltage wires, transformers, overhead and underground conductors, street lighting, metering equipment and other related equipment. Transmission and substations assets are used to transmit high voltage electricity to distribution assets and include poles, high voltage wires, switching equipment, transformers and other related equipment. Generation assets are used to generate electricity and include hydroelectric and thermal generating stations, gas and combustion turbines, dams, reservoirs and other related equipment. Transportation and communications assets include vehicles as well as telephone, radio and other communications equipment. Land, buildings and equipment are used generally in the provision of electricity service, but not specifically in the distribution, transmission or generation of electricity or specifically related to transportation and communication activities.

11. Intangible Assets

	Cost		Accumulated Amortization		Net Book Value	
	2011	2010	2011	2010	2011	2010
Computer software	$ 28,932	$ 29,223	$ 16,679	$ 16,339	$ 12,253	$ 12,884
Land rights	6,780	6,780	4,451	4,354	2,329	2,426
	$ 35,712	$ 36,003	$ 21,130	$ 20,693	$ 14,582	$ 15,310

Amortization expense related to intangibles was $2.8 million for 2011 and 2010.

12. Employee Future Benefits

The Company's defined contribution plans are its individual and group registered retirement savings plans, and an unfunded supplementary employee retirement plan ("SERP"). Benefits under the SERP are based upon employee earnings and years of service. The accrued benefit liability for the SERP is included in other liabilities on the Company's balance sheets (Note 16). During 2011, the Company expensed approximately $1.3 million (2010 - $1.3 million) related to these plans.

The Company's defined benefit plans are its funded defined benefit pension plan, an unfunded pension uniformity plan ("PUP") and OPEBs. Both pension plans are closed to new entrants and provide benefits based on a percentage of the highest 36 consecutive months average base earnings and the employee's years of service. The accrued benefit obligation for all of the Company's defined benefit plans, and the market-related value of plan assets for the Company's funded primary defined benefit pension plan, are measured for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the Company's primary defined benefit pension plan for funding purposes was as of December 31, 2008. The most recent actuarial valuation of the Company's OPEBs was December 1, 2008. Valuations as of December 31, 2011, for both the defined benefit pension plan and OPEBs are currently ongoing.

The accrued benefit asset for the Company's funded primary defined benefit pension plan is included in accrued pension on the Company's balance sheets. The accrued benefits liability for the PUP is included in other liabilities (Note 16).

12. Employee Future Benefits (cont'd)

Details of the Company's defined benefit plans follow:

	2011			2010		
		Unfunded			Unfunded	
	Funded	PUP	OPEB	Funded	PUP	OPEB
Change in accrued benefit obligation						
Balance, beginning of year	$ 252,436	$ 2,389	$ 69,234	$ 221,936	$ 2,318	$ 69,667
Current service costs	3,845	-	889	2,983	-	1,032
Employee contributions	1,132	-	-	1,211	-	-
Interest cost	14,320	131	3,997	14,172	144	4,673
Benefits paid	(12,350)	(215)	(2,200)	(11,902)	(215)	(1,696)
Plan amendments[1]	-	-	464	-	-	(15,191)
Actuarial loss	18,764	98	4,987	24,036	142	10,749
Balance, end of year	$ 278,147	$ 2,403	$ 77,371	$ 252,436	$ 2,389	$ 69,234
Change in fair value of plan assets						
Balance, beginning of year	$ 269,262	$ -	$ -	$ 242,731	$ -	$ -
Actual return on assets	13,083	-	-	32,223	-	-
Benefits paid	(12,350)	(215)	(2,200)	(11,902)	(215)	(1,696)
Employee contributions	1,132	-	-	1,211	-	-
Employer contributions	5,137	215	2,200	4,999	215	1,696
Balance, end of year	$ 276,264	$ -	$ -	$ 269,262	$ -	$ -
Funded status						
Surplus (deficit), end of year	$ (1,883)	$ (2,403)	$ (77,371)	$ 16,826	$ (2,389)	$ (69,234)
Unamortized net actuarial loss	86,214	656	25,594	69,798	594	21,547
Unamortized transitional obligation *(Note 2)*	7,723	279	8,001	9,010	326	9,429
Unamortized past service costs *(Note 2)*	1,909	1	(12,479)	2,121	1	(14,301)
Accrued benefit asset (liability), end of year	$ 93,963	$ (1,467)	$ (56,255)	$ 97,755	$ (1,468)	$ (52,559)
Effect of 1% increase in health care cost trends on:						
Accrued benefit obligation	-	-	$ 10,232	-	-	$ 8,587
Service costs and interest cost	-	-	$ 572	-	-	$ 862
Effect of 1% decrease in health care cost trends on:						
Accrued benefit obligation	-	-	$ (8,277)	-	-	$ (7,033)
Service costs and interest cost	-	-	$ (583)	-	-	$ (679)
Significant assumptions						
Discount rate during year	5.75%	5.75%	5.75%	6.50%	6.50%	6.70%
Discount rate as at December 31	5.25%	5.25%	5.25%	5.75%	5.75%	5.75%
Expected long-term rate of return on plan assets	7.00%	-	-	7.00%	-	-
Rate of compensation increases	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Health care cost trend increases as at December 31	-	-	4.55%	-	-	4.55%

	2011			2010		
		Unfunded			Unfunded	
	Funded	PUP	OPEB	Funded	PUP	OPEB
Net benefit expense						
Current service costs	$ 3,845	$ -	$ 889	$ 2,983	$ -	$ 1,032
Interest cost	14,320	131	3,997	14,172	144	4,673
Actual return on assets	(13,083)	-	-	(32,223)	-	-
Actuarial loss	18,764	98	4,987	24,036	142	10,749
Plan amendments	-	-	464	-	-	(15,191)
Cost arising in the year	$ 23,846	$ 229	$ 10,337	$ 8,968	$ 286	$ 1,263
Difference between costs arising and costs recognized in the year in respect of:						
Return on plan assets	(4,191)	-	-	15,221	-	-
Actuarial loss	(12,225)	(62)	(4,047)	(20,643)	(120)	(10,454)
Past service costs	212	-	(1,359)	212	-	114
Transitional obligation	1,287	47	1,428	1,287	47	1,428
Plan amendments	-	-	(464)	-	-	15,191
Regulatory adjustment *(Note 4)*	1,128	-	3,504	1,128	-	(5,846)
Net benefit expense	$ 10,057	$ 214	$ 9,399	$ 6,173	$ 213	$ 1,696
Asset allocation						
Fixed income	42%	-	-	39%	-	-
Equities	38%	-	-	42%	-	-
Foreign equities	20%	-	-	19%	-	-

[1] *The Company amended its OPEBs plan effective January 1, 2011. The key plan amendments include the introduction of a 50% member-paid cost sharing arrangement for retirees over the age of 65, the removal of the current $5,000 annual benefit cap, and the introduction of drug dispensing fees. The plan changes will not impact existing retirees. Employees who retire on or before December 31, 2012, or are eligible for full pension by December 31, 2012, can choose between either plan.*

The impact of this amendment is being amortized evenly over 10 years, starting in 2011, which reflects the expected average remaining service period to qualify for a full pension.

13. Other Assets

	2011	2010
Customer finance plans	$ 1,527	$ 1,647

Customer finance plans represent the non-current portion of loans to customers for certain new service requests and energy efficiency upgrades. The current portion of these loans is classified as accounts receivable. In the case of new service requests, and as prescribed by the PUB, interest is charged at a fixed rate of prime plus 3% for repayment periods up to 60 months and prime plus 4% for repayment periods of 61 months to 120 months. In the case of energy efficiency upgrades, interest is charged at a fixed rate of prime plus 4% for a maximum repayment period of 60 months. All loan instalments are made through the customers' monthly electricity bill payments. The balance of any loan may be repaid at any time without penalty.

14. Credit Facilities

Newfoundland Power has unsecured bank credit facilities of $120.0 million comprised of a syndicated $100.0 million committed revolving term credit facility ("Committed Facility") which matures on August 27, 2015, and a $20.0 million demand facility. During the year, the $100.0 million Committed Facility was renegotiated on similar terms as the previous facility, with a decrease in pricing, and an extension to a four-year term maturing in August 2015.

Borrowings under the Committed Facility have been classified as long-term as the Committed Facility expires in 2015. Management intends to refinance these amounts in the future with the issuance of other long-term debt. These borrowings are in the form of bankers acceptances bearing interest based on the daily Canadian Deposit Offering Rate for the date of borrowing plus a stamping fee. Standby fees on the unutilized portion of the Committed Facility are payable quarterly in arrears at a fixed rate of 0.24%. Borrowings under the demand facility are classified as current and interest is calculated at the daily prime rate and is payable monthly in arrears.

The utilized and unutilized credit facilities as at December 31 follow:

	2011	2010
Total credit facilities	$ 120,000	$ 120,000
Borrowings under Committed Facility *(Note 15)*	(20,000)	(15,000)
Credit facilities available	$ 100,000	$ 105,000

15. Long-term Debt

	Maturity Date	2011	2010
First mortgage sinking fund bonds			
10.550% $40 million Series AD	2014	$ 29,753	$ 30,153
10.900% $40 million Series AE	2016	32,000	32,400
10.125% $40 million Series AF	2022	32,400	32,800
9.000% $40 million Series AG	2020	33,200	33,600
8.900% $40 million Series AH	2026	34,035	34,435
6.800% $50 million Series AI	2028	43,500	44,000
7.520% $75 million Series AJ	2032	68,250	69,000
5.441% $60 million Series AK	2035	55,800	56,400
5.901% $70 million Series AL	2037	66,500	67,200
6.606% $65 million Series AM	2039	63,050	63,700
Committed credit facility *(Note 14)*	2015	20,000	15,000
		478,488	478,688
Less: current instalments of long-term debt		5,200	5,200
		473,288	473,488
Less: debt issue costs		3,028	3,206
		$ 470,260	$ 470,282

First mortgage sinking fund bonds are secured by a first fixed and specific charge on property, plant and equipment owned or to be acquired by the Company and by a floating charge on all other assets. They require an annual sinking fund payment of 1% of the original principal balance.

Future payments required to meet sinking fund instalments, maturities of long-term debt and long-term credit facilities follow:

Year	$thousands
2012	5,200
2013	5,200
2014	33,753
2015	24,800
2016	34,800
Thereafter	374,735

16. Other Liabilities

	2011	2010
Defined benefit pension liability - unfunded *(Note 12)*	$ 1,467	$ 1,468
Security deposits	695	705
Defined contribution pension liability *(Note 12)*	2,311	2,080
	$ 4,473	$ 4,253

Security deposits are advance cash collections from certain customers to guarantee the payment of electricity bills. The security deposit liability includes interest credited to customer deposits. The current portion of security deposits is reported in accounts payable and accrued charges.

17. Capital Stock

Authorized

(a) an unlimited number of Class A and Class B Common Shares without nominal or par value. The shares of each class are inter-convertible on a share-for-share basis and rank equally in all respects including dividends. The Board of Directors may provide for the payment, in whole or in part, of any dividends to Class B shareholders by way of a stock dividend;

(b) an unlimited number of First Preference Shares and Second Preference Shares without nominal or par value, except that each Series A, B, D and G First Preference Share has a par value of $10. The issued First Preference Shares are entitled to cumulative preferential dividends and are redeemable at the option of the Company at a premium not in excess of the annual dividend rate. Series D and G First Preference Shares are subject to the operation of purchase funds and the Company has the right to purchase limited amounts of these shares at or below par.

17. Capital Stock (cont'd)

Issued

	2011		2010	
	Number of Shares	Amount	Number of Shares	Amount
Class A common shares	10,320,270	$ 70,321	10,320,270	$ 70,321
First preference shares				
5.50% Series A	179,225	1,792	179,225	1,792
5.25% Series B	337,983	3,380	337,983	3,380
7.25% Series D	207,890	2,079	210,890	2,109
7.60% Series G	183,000	1,830	183,000	1,830
	908,098	$ 9,081	911,098	$ 9,111

The Company redeemed 3,000 Series D preference shares outstanding for $30,000 during the year.

At December 31, 2011, Fortis held 233,744 or approximately 25.7% of the Company's issued and outstanding First Preference Shares.

18. Related Party Transactions

The Company provides services to, and receives services from, its parent company, Fortis, and other subsidiaries of Fortis. The Company also incurs charges from Fortis for the recovery of general corporate expenses incurred by Fortis. Related party revenue primarily relates to electricity sales. These transactions are in the normal course of business and are recorded at their exchange amounts.

Related party transactions included in revenue and operating expenses in 2011 and 2010, and in accounts receivable at December 31 of these years, follow:

	2011		2010	
	Fortis	Other Affiliates	Fortis	Other Affiliates
Revenue	$ 155	$ 4,419	$ 189	$ 4,255
Operating expenses	2,037	60	1,863	250
Accounts receivable	142	96	45	39

In July 2011, the Company borrowed $25.0 million from Fortis as a short-term demand loan, at an interest rate of 1.68% per annum. The full amount was repaid to Fortis in August 2011.

19. Capital Management

Newfoundland Power's primary objectives when managing capital are: (i) to ensure continued access to capital at reasonable cost; and, (ii) to provide an adequate return to its common shareholder commensurate with the level of risk associated with the shareholder's investment in the Company.

The Company requires ongoing access to capital because its business is capital intensive. Capital investment is required to ensure continued and enhanced performance, reliability and safety of its electricity systems and to meet customer growth.

The Company operates under cost of service regulation. The cost of capital is ultimately borne by its customers. Access to capital at reasonable cost is a core aspect of the Company's business strategy, which is to operate a sound electricity system and to focus on the safe and reliable delivery of electricity service to its customers in the most cost-efficient manner possible.

The capital managed by the Company is composed of debt (first mortgage sinking fund bonds, bank credit facilities, short-term borrowings and cash/bank indebtedness), common equity (common shares and retained earnings) and preference equity.

The Company has historically generated sufficient annual cash flows from operating activities to service annual interest and sinking fund payments on debt, to pay dividends and to finance a major portion of its annual capital program. Additional financing to fully fund the annual capital program is primarily obtained through the Company's bank credit facilities and these borrowings are periodically refinanced along with any maturing bonds through the issuance of long-term first mortgage sinking fund bonds. The Company currently does not expect any material changes in these basic cash flow and financing dynamics over the foreseeable future, with the exception of the increase in cash flow from the Bell Aliant joint-use pole sale (Note 9) which will extend the timing of the next bond issue.

Newfoundland Power endeavours to maintain a capital structure comprised of approximately 55% debt and preference equity, and 45% common equity. This capital structure is reflected in customer rates. It is also consistent with the Company's current investment grade credit ratings, thereby ensuring continued access to capital at reasonable cost. The Company maintains this capital structure primarily by managing its common share dividends.

A summary of the Company's capital structure as at December 31 follows:

	2011		2010	
	$	%	$	%
Debt[1]	475,130	54.7	471,300	53.5
Common equity	384,030	44.3	400,502	45.5
Preference equity	9,081	1.0	9,111	1.0
	868,241	100.0	880,913	100.0

[1] *Includes bank indebtedness or net of cash, if applicable.*

The issuance of debt with a maturity that exceeds one year requires the prior approval of the PUB. The issuance of first mortgage sinking fund bonds is subject to an earnings covenant whereby the ratio of (i) annual earnings applicable to common shares, before bond interest and tax, to (ii) annual bond interest incurred plus annual bond interest to be incurred on the contemplated bond issue, must be two times or higher. Under its committed credit facility, the Company must also ensure that its Debt to Capitalization ratio does not exceed 0.65:1.00 at any time. During the year, and as at December 31, 2011, the Company was in compliance with all of its debt covenants.

20. Financial Instruments

The Company has designated its financial instruments as at December 31 as follows:

	2011		2010	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Held for trading				
Cash	$ 330	$ 330	$ 4,182	$ 4,182
Loans and receivables				
Accounts receivable	77,091	77,091	61,654	61,654
Customer finance plans[1]	1,527	1,527	1,647	1,647
Other financial liabilities				
Accounts payable and accrued charges	72,514	72,514	56,712	56,712
Interest payable	7,470	7,470	7,557	7,557
Security deposits[2]	696	696	705	705
Long-term debt, including current portion and committed credit facility	478,488	626,256	478,688	581,275

1 *Included in other assets on the balance sheet.*
2 *Included in other liabilities on the balance sheet.*

Fair Values: The fair value of long-term debt, including current portion and committed credit facility, is calculated by discounting the future cash flows of each debt instrument at the estimated yield-to-maturity equivalent to benchmark government bonds, with similar terms to maturity, plus a market credit risk premium equal to that of issuers of similar credit quality. Since the Company does not intend to settle its debt instruments before maturity, the fair value estimate does not represent an actual liability and, therefore, does not include exchange or settlement costs.

The fair value of the Company's remaining financial instruments approximates their carrying value, reflecting their nature, short-term maturity or normal trade credit terms.

The fair value of the Company's financial instruments reflects a point-in-time estimate based on current and relevant market information about the instruments as at the balance sheet date. The estimates cannot be determined with precision as they involve uncertainties and matters of judgement, and therefore, may not be relevant in predicting the Company's future earnings or cash flows.

The Company is primarily exposed to credit risk, liquidity risk and market risk as a result of holding financial instruments in the normal course of business.

Credit Risk: There is risk that Newfoundland Power may not be able to collect all of its accounts receivable and amounts owing under its customer finance plans. These financial instruments, which arise in the normal course of business, do not represent a significant concentration of credit risk as amounts are owed by a large number of customers on normal credit terms. The requirement for security deposits for certain customers, which are advance cash collections from customers to guarantee payment of electricity billings, further reduces the exposure to credit risk. The maximum exposure to credit risk is the net carrying value of these financial instruments.

Newfoundland Power manages credit risk primarily by executing its credit and collection policy, including the requirement for security deposits, through the resources of its Customer Relations Department.

The aging of accounts receivable and amounts owing under customer finance plans, past due but not impaired, as at December 31 follow:

	2011	2010
Not past due	$ 39,800	$ 31,947
Past due 1-30 days	30,638	24,654
Past due 31-60 days	6,189	5,351
Past due 61-90 days	1,904	1,148
Past due over 90 days	87	201
	$ 78,618	$ 63,301

Liquidity Risk: The Company's financial position could be adversely affected if it failed to arrange sufficient and cost-effective financing to fund, among other things, capital expenditures and repayment of maturing debt.

The ability to arrange such financing is subject to numerous factors, including the results of operations and financial position of the Company, conditions in the capital and bank credit markets, ratings assigned by ratings agencies and general economic conditions. These factors are mitigated by the legal requirement as outlined in the *Electrical Power Control Act*, 1994 (Newfoundland and Labrador) which requires rates be set to enable the Company to achieve and maintain a sound credit rating in the financial markets of the world.

Newfoundland Power manages short-term liquidity risk primarily by maintaining bank credit facilities. The Company has unsecured facilities of $120.0 million, comprised of a syndicated $100.0 million committed credit facility and a $20.0 million demand facility.

Newfoundland Power manages long-term liquidity risk primarily by maintaining its investment grade credit ratings.

The contractual maturities of the Company's financial liabilities at December 31, 2011, follow:

($millions)	Total	Due Within 1 Year	Due in Years 2 & 3	Due in Years 4 & 5	Due After 5 Years
Accounts payable and accrued charges	$ 72.1	$ 72.1	-	-	-
Interest payable	7.5	7.5	-	-	-
Security deposits[1]	1.1	0.4	0.7	-	-
Credit facilities (unsecured)	20.0	-	-	20.0	-
Interest on first mortgage sinking fund bonds and committed credit facility	510.0	35.5	68.5	59.4	346.6
First mortgage sinking fund bonds[2]	458.5	5.2	39.0	39.6	374.7
Total	$ 1,069.2	$ 120.7	$ 108.2	$ 119.0	$ 721.3

[1] *Included in accounts payable and accrued charges and other liabilities.*
[2] *First mortgage sinking fund bonds are secured by a first fixed and specific charge on property, plant and equipment owned or to be acquired by the Company and by a floating charge on all other assets.*

20. Financial Instruments (cont'd)

Market Risk: Exposure to foreign exchange rate fluctuations is immaterial.

Market driven changes in interest rates and changes in the Company's credit ratings can cause fluctuations in interest costs associated with the Company's bank credit facilities. For the year ended December 31, 2011, each 25 basis points change in interest rates on the Company's credit facilities would have caused a $62,000 change in credit facility interest costs and a $43,000 change in earnings (2010 - $34,000 and $23,000, respectively).

The Company periodically refinances its credit facilities in the normal course with fixed-rate first mortgage sinking fund bonds thereby significantly mitigating exposure to interest rate changes. Changes in interest rates and/or changes in the Company's credit ratings can affect the interest rate on first mortgage sinking fund bonds at the time of issue.

The Company's defined benefit pension plan is impacted by economic conditions. There is no assurance that the pension plan assets will earn the expected long-term rate of return in the future. Market driven changes impacting the performance of the pension plan assets may result in material variations from the expected long-term return on the assets. This may cause material changes in future pension liabilities and pension expense. Market driven changes impacting the discount rate may also result in material variations in future pension liabilities and pension expense. The operation of the PEVDA is expected to significantly mitigate the impact on the Company's pension expense as described in Note 2.

21. Commitments

The Company is obligated to provide service to customers, resulting in ongoing capital expenditure commitments. Capital expenditures are subject to PUB approval. The Company's 2012 capital plan provides for capital expenditures of approximately $77.3 million and was approved by the PUB in December 2011.

The Company's defined benefit pension funding contributions, including current service and solvency deficit funding amounts, are based on estimates provided by the Company actuary. Based on the December 31, 2008, Actuarial Valuation Report, the Company's commitments for 2012 and 2013 for its solvency deficit are $1.6 million and $1.5 million, respectively. The funding required for current service, as well as revised solvency deficit funding, if any, will be determined in the Company's next actuarial valuation as at December 31, 2011.

22. Economic Dependence

The Company is dependent on Hydro for approximately 93% of its electricity requirements. The principal terms of the supply arrangements with Hydro are regulated by the PUB on a basis similar to that upon which the Company's service to its customers is regulated.

23. Subsequent Event

On January 16, 2012, the transaction with Bell Aliant closed (Note 9) and a purchase price adjustment of $0.9 million was paid to Bell Aliant from the Company. The purchase price adjustment was based on the results of the pole survey completed in the fourth quarter of 2011. The adjustment will be reflected as an increase to property, plant and equipment in 2012.

24. Comparative Figures

The comparative financial statements have been reclassified from statements previously presented to conform to the current year financial statements.

Ten Year Summary

	2011	2010[1]	2009	2008	2007	2006	2005	2004	2003	2002
Income Statement Items *($thousands)*										
Revenue	573,072	555,355	527,503	516,889	491,709	422,405	419,963	404,447	384,150	369,627
Purchased power	369,484	358,443	345,656	336,658	326,778	257,157	255,954	244,012	227,964	210,764
Operating and employee future benefit cost	77,184	62,211	51,988	50,172	53,202	53,996	53,812	51,755	51,799	50,767
Amortization[2]	42,695	47,220	45,687	44,511	34,162	33,129	32,143	30,987	29,372	35,442
Finance charges	35,944	36,038	34,879	33,507	34,939	33,819	31,369	30,393	30,009	26,853
Income taxes	15,876	15,870	16,092	19,146	12,176	13,639	15,368	15,586	14,945	16,381
Net earnings applicable to common shares	33,685	35,005	32,628	32,341	29,866	30,078	30,729	31,122	29,460	28,807
Balance Sheet Items *($thousands)*										
Property, plant and equipment	1,268,305	1,212,810	1,230,371	1,181,433	1,173,642	1,119,820	1,085,106	1,050,913	1,009,448	949,478
Assets held for sale	-	44,698	-	-	-	-	-	-	-	-
Intangible assets[3]	35,712	36,003	37,287	37,633	-	-	-	-	-	-
Accumulated amortization	476,669	457,121	464,327	444,109	422,848	402,683	387,815	420,836	407,319	381,003
Net capital assets	827,348	836,390	803,331	774,957	750,794	717,137	697,291	630,077	602,129	568,475
Total assets	1,202,383	1,196,937	1,170,950	1,001,855	985,930	929,158	889,013	825,310	744,375	704,598
Long-term debt (including current instalments)	475,460	475,482	479,250	438,154	443,527	414,489	395,298	328,558	332,208	335,858
Preference shares	9,081	9,111	9,111	9,352	9,352	9,353	9,410	9,417	9,429	9,709
Common equity	384,030	400,502	381,185	373,738	356,671	335,887	323,972	316,360	299,480	279,515
Total capital	868,571	885,095	869,546	821,244	809,550	759,729	728,680	654,335	641,117	625,082
Operating Statistics *(GWh)*										
Sources of Electricity (normalized)										
Purchased	5,456	5,308	5,188	5,088	5,013	4,876	4,873	4,841	4,725	4,604
Generated	422	425	426	426	381	417	426	424	425	424
Total	5,878	5,733	5,614	5,514	5,394	5,293	5,299	5,265	5,150	5,028
Electricity sales (normalized)										
Residential	3,407	3,311	3,203	3,130	3,044	2,981	2,987	2,972	2,909	2,843
Commercial and street lighting	2,146	2,108	2,096	2,078	2,049	2,014	2,017	2,007	1,973	1,922
Total	5,553	5,419	5,299	5,208	5,093	4,995	5,004	4,979	4,882	4,765
Electricity sales per employee	8.7	8.5	8.2	8.3	8.1	8.0	8.1	7.5	7.3	7.2
Customers *(year-end)*										
Residential	214,515	211,091	207,335	204,204	201,045	198,568	196,412	193,912	191,314	188,925
Commercial and street lighting	32,648	32,335	31,972	31,574	31,217	30,932	30,889	30,552	30,339	30,147
Total	247,163	243,426	239,307	235,778	232,262	229,500	227,301	224,464	221,653	219,072
Operating cost per customer *($)*[4]	241	234	214	208	213	212	218	220	225	223
Number of full-time equivalent employees	640	641	644	628	627	623	621	661	667	666

1 *Certain comparative figures have been reclassified to conform with current year presentation.*
2 *Amount for 2007 and 2006 is net of a regulatory deferral of $5.8 million, as approved by the PUB.*
3 *Beginning in 2008, intangible assets were reported separately on the Balance Sheet.*
4 *Operating cost per customer is calculated excluding pension, OPEBs and early retirement program costs.*

Peter Alteen, Vice President, Regulation and Planning
Earl Ludlow, President and Chief Executive Officer
Gary Smith, Vice President, Customer Operations and Engineering
Jocelyn Perry, Vice President, Finance and Chief Financial Officer

Peggy Bartlett*•
Chair, Board of Directors
President
Bartlett Enterprises Inc.
Grand Falls-Windsor,
Newfoundland & Labrador

Frank Davis•
Chair, Governance & Human Resources Committee
Corporate Director
St. John's,
Newfoundland & Labrador

Nora Duke•
President & Chief Executive Officer
Fortis Properties Corp.
St. John's,
Newfoundland & Labrador

Georgina Hedges•
Corporate Director
Newfoundland & Labrador

Richard Hew
President & Chief Executive Officer
Caribbean Utilities Company, Ltd
Grand Cayman

Earl Ludlow
President & Chief Executive Officer
Newfoundland Power Inc.
St. John's,
Newfoundland & Labrador

Edward Murphy*
Senior Vice President of Finance
Pennecon Limited
St. John's,
Newfoundland & Labrador

Fred O'Brien
President & Chief Executive Officer
Maritime Electric Company, Ltd.
Charlottetown,
Prince Edward Island

Bruce Simmons*
President & Chief Executive Officer
Hammond Farm Ltd.
Corner Brook,
Newfoundland & Labrador

Jo Mark Zurel*
Chair, Audit & Risk Committee
President
Stonebridge Capital Inc.
St. John's,
Newfoundland & Labrador

* Audit & Risk Committee • Governance & Human Resources Committee

Community Partners

We are proud that community groups throughout the province can count on us for support. We were pleased to provide financial, in-kind and hands on assistance to the following organizations and many more in 2011:

Health
The Dr. H. Bliss Murphy Cancer Care Foundation, PRIORITY: The Campaign for Cancer Care, The Health Care Foundation, The Burin Peninsula Health Care Foundation, The Western Memorial Health Care Foundation, The Children's Wish Foundation, The Newfoundland & Labrador Down Syndrome Society, Juvenile Diabetes Research Foundation, The Arthritis Society (Newfoundland & Labrador Division), Alzheimer Society of Newfoundland & Labrador, Trinity Conception Placentia Health Care Foundation, Janeway Children's Hospital Foundation, Learning Disabilities Association of Newfoundland & Labrador, Heart and Stroke Foundation of Newfoundland & Labrador, Canadian Blood Services, Canadian Mental Health Association

Safety
Newfoundland & Labrador Association of Fire Services, Firefighter Electricity Safety Training, Learn Not to Burn Program, Child Find Newfoundland & Labrador, School Electricity Safety Program, Safety Services Newfoundland Labrador, Newfoundland & Labrador Crime Stoppers, Triple Bay Eagles Ground Search and Rescue

Environment
Atlantic Salmon Federation, Tree Canada, Newfoundland & Labrador Home Builders' Association, Trans Canada Trail Foundation, Marystown Community Pride, Rennies River Development Foundation, Corner Brook Stream Development Corporation

Education & Youth
Junior Achievement of Newfoundland & Labrador, Memorial University of Newfoundland, College of the North Atlantic, Sport Newfoundland & Labrador, Scouts Canada, Church Lads' Brigade, Special Olympics

Community
Newfoundland & Labrador Region of the Canadian Red Cross, Community Food Sharing Association, Coats for Kids, Habitat for Humanity, Community Sector Council Newfoundland & Labrador

Arts & Culture
Newfoundland Symphony Orchestra, Kiwanis Music Festival Association, Resource Centre for the Arts

Investor Information

Head Office
55 Kenmount Road, P.O. Box 8910
St. John's, NL A1B 3P6
Tel: (709) 737-2802
Fax: (709) 737-5300

Share Transfer Agent and Registrar
Computershare Trust Company of Canada
1500 University Street, Suite 700
Montreal, QC H3A 3S8
Tel: (514) 982-7888
Fax: (514) 982-7635
computershare.com

Annual General Meeting
Friday, April 27, 2012 at 8:00 a.m.
Main Boardroom, 3rd Floor
Newfoundland Power Inc.
55 Kenmount Road
St. John's, NL A1B 3P6

Investor Information
Peter Alteen, Corporate Secretary
55 Kenmount Road, P.O. Box 8910
St. John's, NL A1B 3P6
Tel: (709) 737-5859
palteen@newfoundlandpower.com

Website
newfoundlandpower.com

Email
contactus@newfoundlandpower.com

Fortis Websites
Fortis Inc.
fortisinc.com
FortisAlberta Inc.
fortisalberta.com
FortisBC Inc.
fortisbc.com
FortisOntario Inc.
fortisontario.com
Maritime Electric Company, Limited
maritimeelectric.com
Caribbean Utilities Company, Ltd.
cuc-cayman.com
Fortis Properties Corporation
fortisproperties.com
Fortis Turks and Caicos
provopowercompany.com

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Newfoundland Power Inc.
P.O. Box 8910
St. John's, NL A1B 3P6
newfoundlandpower.com

IN THE MATTER OF
the 2011 Annual Returns
of Newfoundland Power
Inc. filed pursuant to
Section 59(2) of the
Public Utilities Act.

AFFIDAVIT

I, Jocelyn Perry, of the Town of Conception Bay South in the Province of Newfoundland and Labrador, Chartered Accountant, make oath and say as follows:

1. That I am Vice-President, Finance and Chief Financial Officer of Newfoundland Power Inc.

2. That to the best of my knowledge, information and belief, the information contained in the 2011 Annual Report and accompanying returns of Newfoundland Power Inc., filed with the Board of Commissioners of Public Utilities pursuant to section 59(2) of the *Public Utilities Act* is true and accurate.

SWORN to before me at St. John's
in the Province of Newfoundland and Labrador
this 26th day of March, 2012:

Barrister – Newfoundland & Labrador

Jocelyn Perry

Newfoundland Power Inc.
Names and Addresses of Officers and Directors
as of December 31, 2011

Name	Address	Position Held
Peter Alteen	38 Mansfield Crescent St. John's, NL A1E 5E3	Vice President; Corporate Secretary
Peggy Bartlett	173 Grenfell Heights Grand Falls-Windsor, NL A2A 2J7	Chair, Board of Directors
Frank Davis	2 Crabapple Place St. John's, NL A1A 5L7	Director
Nora Duke	18 Jacaranda Place St. John’s, NL A1H 1A2	Director
Georgina Hedges	15 Crescent Heights Grand Falls-Windsor, NL A2A 1K6	Director
Earl Ludlow	33 Ortega Drive Paradise, NL A1L 2L1	President and Chief Executive Officer; Director
Edward Murphy	5 Lambert Place St. John's, NL A1A 3X4	Director
Fred O'Brien	389 Church Street Alberton, PEI C0B 1B0	Director
Richard Hew	33 Destiny Avenue, P.O. Box 30521 Grand Cayman, KY1-1203, Cayman Islands	Director
Jocelyn Perry	6 Maple Street Conception Bay South, NL A1W 5M8	Vice President and Chief Financial Officer
Bruce Simmons	PO Box 2198, RR1 Corner Brook, NL A2H 2N2	Director
Gary Smith	89 Cheyne Drive	Vice President

Newfoundland Power Inc.
Names and Addresses of Officers and Directors
as of December 31, 2011

Name	Address	Position Held
	St. John's, NL A1A 5W5	
Jo Mark Zurel	16 Regent Street St. John's, NL A1A 5A4	Director

Newfoundland Power Inc.
Computation of Average Rate Base
For The Years Ended December 31
($000s)

		2011	2010
1	**Net Plant Investment**		
2	Plant Investment - Return 4	1,371,762	1,393,801
3	Accumulated Amortization - Return 6	(575,926)	(585,245)
4	Contributions in Aid of Construction - Return 7	(29,013)	(30,266)
5		766,823	778,290
6			
7	**Additions to Rate Base**		
8	Deferred Pension Costs - Return 8	97,628	102,549
9	Credit Facility Costs - Return 8	270	258
10	Cost Recovery Deferral - Seasonal/TOD Rates - Return 9	228	-
11	Cost Recovery Deferral - Hearing Costs - Return 9	253	507
12	Cost Recovery Deferral - Regulatory Amortizations - Return 9	1,642	-
13	Cost Recovery Deferral - Conservation - Return 9	454	682
14	Customer Finance Programs - Return 10	1,527	1,647
15		102,002	105,643
16			
17	**Deductions from Rate Base**		
18	Weather Normalization Reserve - Return 17	5,020	1,954
19	Adjustment - 2010 Hearing Costs - Return 9	6	-
20	Other Post Employment Benefits - Return 10	7,199	-
21	Customer Security Deposits - Return 10	695	705
22	Accrued Pension Obligation - Return 10	3,778	3,548
23	Future Income Taxes - Return 23	862	3,617
24	Demand Management Incentive Account - Return 18	1,252	676
25		18,812	10,500
26			
27	**Year End Rate Base**	850,013	873,433
28			
29	**Average Rate Base Before Allowances**	861,723	861,442
30			
31	**Rate Base Allowances**		
32	Materials and Supplies Allowance - Return 11	5,012	4,476
33	Cash Working Capital Allowance - Return 12	9,663	9,292
34			
35	**Average Rate Base at Year End**	876,398	875,210

Newfoundland Power Inc.
Plant Investment
For The Year Ended December 31, 2011
($000s)

		Opening Balance	Adjustments[1]	Additions	Retirements	Year End Balance
1	Power Generation					
2	Hydro	152,036	(67)	8,115	967	159,117
3	Diesel	3,035	29	75	10	3,129
4	Gas Turbine	18,243	26	170	6	18,433
5		173,314	(12)	8,360	983	180,679
6						
7	Substations	150,090	(5)	12,457	1,813	160,729
8	Transmission	106,926	(215)	6,025	2,419	110,317
9	Distribution	807,153	(77,117)	39,508	7,078	762,466
10	General Property	51,957	(424)	1,823	477	52,879
11	Transportation	24,076	-	2,389	2,711	23,754
12	Communications	10,641	(13)	65	143	10,550
13	Computer Software	29,002	-	2,308	2,378	28,932
14	Computer Hardware	8,368	-	1,750	1,371	8,747
15	Government Contributions	23,109	-	-	-	23,109
16		1,211,322	(77,774)	66,325	18,390	1,181,483
17						
18	Total Depreciable Plant	1,384,636	(77,786)	74,685	19,373	1,362,162
19						
20	Non Depreciable Land	9,165	429	6	-	9,600
21						
22	Plant Investment Included In Rate Base	1,393,801	(77,357) [2]	74,691	19,373	1,371,762
23						
24	Construction Work In Progress					5,190
25						
26	Total Plant Investment[3]					1,376,952
27						
28						
29						

30 [1] Adjustments are due to asset reclassification and redistribution of original cost based on final project details.

31

32 [2] Gross book value of poles sold to Bell Aliant Regional Communication Inc. ("Bell"). The pole sale was approved in Order No. P.U. 21 (2011).

33

34 [3] A reconciliation of the Total Plant Investment used in the calculation of average rate base for 2011 to the plant investment shown in Return 1 is
35 as follows:

		($000s)
36		
37	2011 Capital Assets shown in Return 1 (Note 10 to Financial Statements)	1,268,305
38	Add: Contributions in Aid of Construction - Return 7	78,360
39	Add: Plant Investment classified as Intangibles (Note 11 to Financial Statements)	35,712
40	Deduct: Inventories included in Plant Investment for financial reporting purposes	(5,425)
41	2011 Total Plant Investment for Average Rate Base	1,376,952

Newfoundland Power Inc.
Capital Expenditure
For The Year Ended December 31, 2011
($000s)

		Approved By Board[1]	Actual	Variance[2]
1	Generation			
2	Hydro	9,496	8,576	(920)
3	Thermal	268	252	(16)
4		9,764	8,828	(936)
5				
6	Substations	11,647	10,527	(1,120)
7				
8	Transmission	4,745	3,389	(1,356)
9				
10	Distribution	36,842	38,210	1,368
11				
12	General Property	1,792	1,757	(35)
13				
14	Transportation	2,254	2,272	18
15				
16	Telecommunications	572	109	(463)
17				
18	Information Systems	3,728	3,699	(29)
19				
20	Unforeseen	750	305	(445)
21				
22	General Expenses Capital	2,800	3,750	950
23				
24		74,894	72,846	(2,048)
25				
26				
27	Projects carried forward from 2010[3]		3,325	
28				

29 [1] Approved by Order Nos. P.U. 28 (2010), P.U. 8 (2011), and P.U. 11 (2011).

30

31 [2] Variance explanations are provided in Newfoundland Power Inc.'s 2011 Capital Expenditure Report filed with the Board on February 29, 2012.

32

33 [3] The projects carried forward from 2010 include $1,872,000 from the rebuild of transmission lines 23L and 24L; $1,326,000 from work relating
34 to the old Grand Falls substation and $127,000 miscellaneous.

Newfoundland Power Inc.
Accumulated Amortization
For The Year Ended December 31, 2011
($000s)

1	Opening Balance - January 1, 2011	585,245
2		
3	Add:	
4	Amortization of Fixed Assets[1]	42,695
5	Amortization of Contributions - Government - Return 7	67
6	Amortization of Contributions - Customers - Return 7	1,476
7	Salvage[2]	48,273
8		92,511
9		
10		
11	Deduct:	
12	Gross Book Value of Poles Sold to Bell	77,357
13	Cost of Removal (Net of Income Tax)	5,099
14	Retirements	19,374
15		101,830
16		
17	Closing Balance - December 31, 2011[3]	575,926
18		
19		
20		

21 [1] The amortization rates for 2011 are from the 2006 Depreciation Study based on plant in service
22 at December 31, 2005 and approved in Order No. P.U. 32 (2007).

23	Hydro	2.17%
24	Diesel	4.28%
25	Gas Turbine	4.81%
26	Substations	2.63%
27	Transmission	3.28%
28	Distribution	3.14%
29	General Property	2.94%
30	Transportation	10.28%
31	Telecommunications	6.18%
32	Computer Software	10.00%
33	Computer Hardware	20.00%

34
35 [2] Includes proceeds from the sale of support structures to Bell.
36
37 [3] The accumulated amortization shown in Return 1 (Note 10 to the Financial Statements) is before
38 adjustment for contributions in aid of construction, site restoration costs and intangibles.

		($000s)
40	Accumulated Amortization shown in Return 1 (Note 10 to Financial Statements)	455,539
41	Add: Amortization of Contributions - Return 7	49,347
42	Add: Site Restoration Costs	49,910
43	Add: Accumulated Amortization classified as Intangibles - (Note 11 to Financial Statements)	21,130
44	2011 Accumulated Amortization for Average Rate Base	575,926

Newfoundland Power Inc.
Contributions in Aid of Construction
For The Year Ended December 31, 2011
($000s)

		Customers	Government	Total
1	Gross Contributions to January 1, 2011	57,720	23,108	80,828
2				
3	Add: Contributions Received in 2011	2,764	-	2,764
4	Less: Contributions Relating to Bell Pole Sale	(5,232)	-	(5,232)
5				
6	Gross Contributions to December 31, 2011	55,252	23,108	78,360
7				
8				
9	Amortizations to January 1, 2011	27,977	22,585	50,562
10				
11	Add: Amortization in 2011	1,476	67	1,543
12	Less: Amortizations Relating to Bell Pole Sale	(2,758)	-	(2,758)
13				
14	Amortizations to December 31, 2011	26,695	22,652	49,347
15				
16				
17	Unamortized Contributions to December 31, 2011	28,557	456	29,013

Newfoundland Power Inc.
Deferred Charges
For The Year Ended December 31, 2011
($000s)

		Balance January 1 2011	Additions During 2011	Reductions During 2011	Balance December 31 2011
1	Deferred Pension Costs[1]	102,549	5,137	10,058	97,628
2					
3	Deferred Credit Facility Issue Costs	258	130	118	270
4					
5	Deferred Charges Included in Rate Base	102,807	5,267	10,176	97,898
6					
7					
8					

9 [1] The December 31, 2011 balance includes $3.7 million in pension costs associated with the 2005 Early Retirement Program.
10 These pension costs were originally $11.3 million and are being amortized over ten years, beginning April 1, 2005.

Newfoundland Power Inc.
Regulatory Deferrals
For The Year Ended December 31, 2011
($000s)

		Balance January 1 2011	Additions During 2011	Reductions During 2011	Balance December 31 2011
1	**Cost Recovery Deferrals**				
2	Deferred Costs - Seasonal/TOD Rates[1]	-	228	-	228
3	Deferred Costs - 2010 Regulatory Amortizations[2]	-	1,642	-	1,642
4	Deferred Costs - Conservation Program[3]	682	-	228	454
5	Deferred Costs - 2010 Hearing Costs[4]	507	-	254	253
6		1,189	1,870	482	2,577
7					
8	**Other Regulatory Adjustments**				
9	2010 Hearing Costs[5]	-	6	-	6

[1] In Order No. P.U. 8 (2011), the Board approved the deferred recovery of revenues and costs related to the implementation of the optional seasonal rates and TOD pilot study.

[2] In Order No. P.U. 30 (2010), the Board approved the deferred recovery of $2,363,000 in costs ($1,642,000 on an after-tax basis) related to the conclusion in 2010 of a number of regulatory amortizations.

[3] In Order No. P.U. 43 (2009), the Board approved the 4-year amortization of certain costs related to the implementation of the conservation plan in 2009.

[4] In Order No. P.U. 43 (2009), the Board approved the 3-year amortization of hearing costs related to the 2010 General Rate Application.

[5] In Order No. P.U. 26 (2011), the Board ordered Newfoundland Power to adjust the recovery of its 2010 Hearing Costs to reflect total costs of $750,000.

Newfoundland Power Inc.
Other Rate Base Assets and Liabilities
For The Year Ended December 31, 2011
($000s)

	Balance January 1 2011	Change During 2011	Balance December 31 2011
Assets			
Customer Finance Programs[1]	1,647	(120)	1,527
Liabilities			
Accrued Pension Obligation[2]	3,548	230	3,778
Customer Security Deposits[3]	705	(10)	695
Net OPEBs Liability[4]	-	7,199	7,199

[1] Comprised of loans provided to customers related to customer conservation programs and contributions in aid of construction.

[2] Executive and Senior Management supplemental pension benefits comprised of a defined benefit plan (PUP) and a defined contribution plan (SERP). The PUP was closed to new entrants in 1999.

[3] Security deposits received from customers for electrical service in accordance with the Board-approved Schedule of Rates, Rules and Regulations.

[4] Equal to the difference, at December 31, 2011, between the OPEBs liability of $56,255,000 and the OPEBs asset of $49,056,000.

Newfoundland Power Inc.
Materials and Supplies Allowance
For The Years Ended December 31
($000s)

		2011[1]	2010[1]
1	Opening - January 1	5,811	5,197
2	January	6,095	5,246
3	February	6,075	5,360
4	March	6,259	5,400
5	April	6,232	5,605
6	May	5,926	5,568
7	June	6,100	6,061
8	July	6,354	5,601
9	August	6,398	5,728
10	September	6,500	5,546
11	October	6,707	5,788
12	November	6,627	6,002
13	December	6,565	5,811
14	Total	81,649	72,913
15			
16	Average	6,281	5,609
17			
18	Less: Expansion (20.2%)[2]	1,269	1,133
19			
20	Materials and Supplies Allowance	5,012	4,476
21			
22			

23 [1] The 2010 and 2011 materials and supplies allowance calculation reflects a 13-month average approved in
24 Order No. P.U. 32 (2007).
25
26 [2] The expansion factor of 20.2% is based on the 2010 cash working capital study approved in Order No.
27 P.U. 43 (2009).

Newfoundland Power Inc.
Cash Working Capital Allowance[1]
For The Years Ended December 31
($000s)

		2011	2010
1	Gross Operating Costs[2]	432,485	415,097
2	Current Income Taxes - Return 22	19,631	17,773
3	Municipal Taxes Paid	13,348	13,421
4	Non-regulated Expenses (net of income taxes)	(1,604)	(979)
5			
6	Total operating expenses	463,860	445,312
7			
8	Cash Working Capital Factor	2.0%	2.0%
9		9,277	8,906
10			
11	HST Adjustment	386	386
12			
13	Cash Working Capital Allowance	9,663	9,292
14			
15			
16			

17 [1] The cash working capital allowance for 2010 is calculated based on the method used to calculate the 2010 Test Year
18 average rate base approved in Order No. P.U. 46 (2009).
19
20 [2] In accordance with the method used to calculate the 2010 Test Year average rate base approved in Order No.
21 P.U. 46 (2009), gross operating costs used in the calculation of the cash working capital allowance are net of
22 non-cash related amortizations.

Newfoundland Power Inc.
Return on Average Rate Base[1]
For The Years Ended December 31
($000s)

		2011	2010
1	Net Earnings from Return 1	34,252	35,573
2	Add: Non-regulated (net of income taxes)	1,604	979
3		35,856	36,552
4			
5	Finance Costs		
6	Interest on Long-term Debt	35,444	35,850
7	Other Interest	687	329
8	Amortization of Debt Issue Expenses	308	232
9	AFUDC[2]	(970)	(820)
10		35,469	35,591
11			
12	Regulated Earnings	71,325	72,143
13			
14	Average Rate Base from Return 3	876,398	875,210
15			
16	Rate of Return on Average Rate Base	8.14%	8.24%
17			
18			
19	Average Rate Base from Return 3	876,398	875,210
20			
21	Upper Limit of the Allowed Range of Return on Average Rate Base[3]	8.14%	8.41%
22			
23	Upper Limit of Allowed Regulated Earnings	71,339	73,605
24			
25	Regulated Earnings	71,325	72,143
26			
27	Excess Revenue net of Income Taxes	-	-
28			
29	Income Taxes	-	-
30			
31	Excess Revenue	-	-
32			
33			

34 [1] The return on average rate base is calculated in accordance with the methodology approved in Order No. P.U 32 (2007).

35

36 [2] For financial reporting purposes, the equity component of the 2011 AFUDC is reported as other income in Return 1.

37

38 [3] Based on a return on rate base of 7.96% plus 18 basis points, approved in Order No. P.U. 32 (2010) for 2011 and a return on rate
39 base of 8.23% plus 18 basis points, approved in Order No. P.U. 46 (2009) for 2010.

Newfoundland Power Inc.
Details of Normalized Sales and Revenue
For The Years Ended December 31
($000s)

			2011			2010		
			Gigawatt Hours	Year End Customer Accounts	Revenue	Gigawatt Hours	Year End Customer Accounts	Revenue
1	**Revenue From Rates**							
2	Domestic							
3	Domestic	1.1	3,398.7	212,843	343,775	3,311.2	211,091	332,664
4	Domestic - Seasonal	1.1S	8.3	1,672	834.0	-	-	-
5	Total Domestic		3,407.0	214,515	344,609	3,311.2	211,091	332,664
6								
7	General Service:							
8	0 - 10 kW	2.1	93.7	12,152	12,568	92.5	12,116	12,331
9	10 - 100 kW	2.2	665.5	9,030	67,341	649.3	8,909	65,291
10	110 - 1000 kVA	2.3	927.7	1,126	79,954	910.6	1,101	77,976
11	1000 kVA and Over	2.4	422.4	64	31,500	419.2	59	31,037
12	Total General Service		2,109.3	22,372	191,363	2,071.6	22,185	186,635
13								
14	Street & Area Lighting	4.1	36.5	10,276	13,867	36.2	10,150	13,540
15	Forfeited Discounts		-	-	2,719	-	-	2,494
16								
17	Revenue From Rates		5,552.8	247,163	552,558	5,419.0	243,426	535,333
18								
19	**Adjustments and Transfers**							
20	Energy Supply Cost Variance Deferral				6,896 [1]			2,213
21	Seasonal Rate Revenue Deferral				70 [2]			-
22	2011 Pension Expense Variance Deferral				2,888 [3]			(640)
23	2011 OPEBs Variance Deferral				195 [4]			-
24	2005 Unbilled Revenue Accrual				-			4,618
25	Total Adjustments and Transfers				10,049			6,191
26								
27	**Other Revenue**							
28	Joint Use Revenue				927			9,360
29	Cost of Capital - Bell Pole Sale				3,328			-
30	Pole Installation Revenues - Bell				1,046			-
31	Pole Maintenance Agreement - Bell				1,375			-
32	Wheeling Revenue				596			591
33	Amortization of Municipal Tax Liability				-			1,363
34	Interest on Overdue Customer Accounts				942			801
35	Other Non-Electrical Revenue				2,251			1,311
36	Total Other Revenue				10,465			13,426
37								
38	**Total Revenue - Return 1**				**573,072**			**554,950**
39								
40								
41								
42	[1] The Energy Supply Cost Variance Deferral Account was approved in Order No. P.U. 32 (2007).							
43								
44	[2] The Seasonal Rate Revenue Deferral was approved in Order No. P.U. 8 (2011).							
45								
46	[3] The Pension Expense Variance Deferral Account was approved in Order No. P.U. 43 (2009).							
47								
48	[4] The OPEBs Variance Deferral Account was approved in Order No. P.U. 31 (2010).							

Newfoundland Power Inc.
Normalized Production and Sales Statistics
For The Years Ended December 31
($000s)

		2011	2010
1	Gigawatt Hours - Purchased	5,455.4	5,308.3
2			
3	Gigawatt Hours - Produced	422.4	424.6
4			
5			
6	Total Purchased & Produced	5,877.8	5,732.9
7			
8			
9	Gigawatt Hours - Sold & Used	5,564.4	5,430.2
10			
11			
12	Gigawatt Hours - Losses	313.4	302.7
13			
14	Losses Expressed as a Percentage of		
15	Total Purchased & Produced	5.3%	5.3%
16			
17	Purchased Power Annual Billing Demand in kW	1,134,566	1,119,636

Newfoundland Power Inc.
Rate Stabilization Account
For The Year Ended December 31, 2011
($000s)

	Month	Opening Balance	Adjustments	RSA Billed During Month	Municipal Taxes	Excess Fuel Costs	Secondary Energy Costs	Interest Costs	Transfer To (From) Nfld. Hydro	Closing Balance
1	January	3,723.1	-	(1,305.8)	-	3.1	-	24.7	1,271.6	3,716.7
2										
3	February	3,716.7	-	(1,399.6)	-	0.8	-	24.7	1,284.4	3,627.0
4										
5	March	3,627.0	2,088.2 [1]	(1,378.9)	-	6.1	-	24.1	1,281.0	5,647.5
6										
7	April	5,647.5	-	(1,240.0)	-	2.6	-	37.5	1,038.8	5,486.4
8										
9	May	5,486.4	-	(1,070.8)	-	112.6 [2]	-	36.4	865.1	5,429.7
10										
11	June	5,429.7	-	(888.6)	-	2.7	-	36.0	744.5	5,324.3
12										
13	July	5,324.3	-	(2,083.8)	-	5.8	-	35.3	2,708.1	5,989.7
14										
15	August	5,989.7	-	(3,185.6)	-	0.9	-	39.7	2,818.2	5,662.9
16										
17	September	5,662.9	-	(2,893.1)	-	3.2	-	37.5	2,868.8	5,679.3
18										
19	October	5,679.3	-	(3,362.2)	-	-	-	37.7	3,682.4	6,037.2
20										
21	November	6,037.2	-	(4,537.3)	-	3.0	-	40.0	4,530.1	6,073.0
22										
23	December	6,073.0	6,895.4 [3]	(5,223.6)	(938.1) [4]	9.8	-	40.3	5,577.6	12,434.4
24										
25			8,983.6	(28,569.3)	(938.1)	150.6	-	413.9	28,670.6	
26										
27										
28										

29 [1] Adjustments in March include (i) $2.9 million for the disposition of the difference in forecasted vs. test year defined benefit pension plan expense for 2011, approved in Order No.
30 P.U. 43 (2009); (ii) $194,900 for the disposition of the difference in forecasted vs. test year OPEBs expense for 2011, approved in Order No. P.U. 31 (2010); and ($994,200)
31 for the disposition of the 2010 balance in the Demand Management Incentive Account and related income tax effects, approved in Order No. P. U. 7 (2011).
32
33 [2] Excess fuel costs due to generation required from Wesleyville gas turbine May 24th to 29th for rebuild on 116L.
34
35 [3] This is the amount related to the operation of the Energy Supply Cost Variance for 2011, approved in Order No. P.U. 32 (2007).
36
37 [4] This is the difference between total municipal taxes collected from customers through rates and the total taxes paid to municipalities for 2011.

Newfoundland Power Inc.
Weather Normalization Reserve
For The Year Ended December 31, 2011
($000s)

Degree Day Normalization Reserve Transfer		
Revenue Adjustment		
Heating Degree Days		8,166
Cooling Degree Days		-
Wind Speed Adjustments		(923)
Total Revenue Adjustment		7,243
Less : Power Purchased Adjustment		
Heating Degree Days		9,025
Cooling Degree Days		-
Wind Speed Adjustments		(1,017)
Total Power Purchased Adjustment		8,008
Net Adjustment (Before Tax)		(765)
Less: Income Tax @ 30.5%		(233)
Net Adjustment (After Tax)		(532)
Amortization of Weather Normalization Reserve[1]		(1,366)
Net Transfer (To) From Degree Day Normalization Reserve		(1,898)
Hydro Production Equalization Reserve Transfer		
Transfer (To) From Reserve (Before Tax)		(1,679)
Less: Income Tax @ 30.5%		(512)
Net Transfer (To) From Hydro Production Equalization Reserve		(1,167)
Net Transfer (To) From Weather Normalization Reserve		**(3,065)**

	Weather Normalization Account Balances		
	Balance at January 1 2011	**Net Transfers**	**Balance at December 31 2011[2]**
Degree Day Reserve	(215)	(1,898)	(2,113)
Hydro Equalization Reserve	(1,740)	(1,167)	(2,907)
	(1,955)	(3,065)	(5,020)

[1] This is the amortization of the Degree Day Normalization Reserve approved by the Board in Order No. P.U. 32 (2007).

[2] A positive balance in the Weather Normalization Reserve reflects amounts to be recovered from customers in future periods. A negative balance in the Weather Normalization Reserve reflects amounts owed to customers.

Newfoundland Power Inc.
Demand Management Incentive Account
For The Year Ended December 31, 2011
($000s)

1	**Demand Management Incentive Account Transfer**	
2		
3	Demand Supply Cost Variance	(2,346)
4		
5	Demand Management Incentive (+/-)[1]	545
6		
7	Supply Cost Variance Outside Deadband	(1,801)
8		
9	Less: Income Tax @ 30.5.%	(549)
10		
11	**Net Transfer (To) From Demand Management Incentive Account**	**(1,252)**
12		
13		
14		
15	**Demand Management Incentive Account Balance**	
16		
17	Balance at January 1, 2011	(676)
18		
19	Transfers to the RSA[2]	676
20		
21	Net Transfer (To) From Demand Management Incentive Account	(1,252)
22		
23	Balance at December 31, 2011[3]	(1,252)
24		
25		
26		

27 [1] The demand management incentive of $545,000 is plus/minus 1% of test year wholesale demand charges. The Demand
28 Management Incentive Account definition was approved in Order No. P.U. 32 (2007).
29
30 [2] The transfer to the RSA of the DMI account balance at March 31, 2011 was approved in Order No. P.U. 7 (2011).
31
32 [3] In accordance with Order No. P.U. 32 (2007), Newfoundland Power filed a report with the Board on February 10, 2012
33 pertaining to the operation of the Demand Management Incentive Account for 2011.

Newfoundland Power Inc.
Pension Expense Variance Deferral Account
OPEBs Cost Variance Deferral Account
For The Year Ended December 31, 2011
($000s)

Pension Expense Variance Deferral Account ("PEVDA")[1]	
2011 Actual Pension Expense[2]	9,075
2010 Test Year Forecast Pension Expense	6,188
Variance	2,887
OPEBs Cost Variance Deferral Account ("OPEVDA")[3]	
2011 Actual OPEBs Expense[2]	9,026
2010 Test Year Forecast OPEBs Expense[4]	8,831
Variance	195
Amount Transferred to the RSA in 2012[5]	3,082

[1] In Order No. P.U. 43 (2009), the Board approved a Pension Expense Variance Deferral Account, which is charged or credited with the amount by which the annual pension expense computed in accordance with generally accepted accounting principles differs from the annual pension expense approved most recently for the establishment of revenue requirement from rates for a test year.

[2] The Pension expense and OPEBs expense are net of capitalization.

[3] In Order No. P.U. 31 (2010), the Board approved an OPEBs Cost Variance Deferral Account, which is charged or credited with the amount by which the OPEBs expense differs from that approved for the establishment of revenue requirement from rates for a test year.

[4] Revised 2010 Test Year as approved in Order No. P.U. 36 (2010).

[5] In Order No. P.U. 43 (2009) and in Order No. P.U. 31 (2010), the Board ordered that Newfoundland Power shall charge or credit any amounts in the PEVDA and the OPEVDA to the Rate Stabilization Account as of the 31st day of March in the year the difference arises.

Newfoundland Power Inc.
Statement of Operating & General Expenses
For The Years Ended December 31
($000s)

		2011	2010	2011/2010 Variances[1]
1	Operating Expenses			
2				
3	Purchased Power	369,484	358,443	11,041
4	Power Produced	2,604	2,675	(71)
5	Administrative and Engineering Support	7,132	6,046	1,086
6	Environmental Policy	269	315	(46)
7	Substations	2,271	2,340	(69)
8	Transmission	701	830	(129)
9	Distribution	8,769	8,728	41
10	Communications	1,472	1,508	(36)
11	Fleet Operating and Maintenance Expense	1,791	1,504	287
12				
13				
14		394,493	382,389	12,104
15				
16				
17	General Expenses			
18				
19	Customer Service	14,253	12,872	1,381
20	Financial Services	1,840	1,715	125
21	Information Systems	2,965	2,856	109
22	Pension Costs	11,566	7,588	3,978
23	Other Post Employment Benefits	9,003	712	8,291
24	Corporate and Employee Services	15,381	14,612	769
25				
26				
27		55,008	40,355	14,653
28				
29				
30	Total Operating & General Expenses	449,501	422,744	26,757
31				
32	Transfers to General Expenses Capitalized	(2,914)	(2,429)	(485)
33	Amortization of Deferred CDM Costs	339	339	-
34	Deferred Seasonal Rates/Time of Day	(258)	-	(258)
35				
36	**Total Expenses[2]**	**446,668**	**420,654**	**26,014**
37				
38				
39				

40 [1] Variances are explained in Return 21.

41

42 [2] This is equal to the total of purchased power costs, operating expenses and employee future benefit costs shown in Return 1.

Newfoundland Power Inc.
Explanation of Expense Variances
2011 versus 2010
($000s)

	2011	2010	Increase (Decrease)
Total Expenses	**446,668**	**420,654**	**26,014**

The increase in total expenses for 2011 was primarily the result of higher purchased power costs and increases in employee future benefits costs.

The following is an explanation of significant variances for individual operating and general expense classes.

Purchased Power	**369,484**	**358,443**	**11,041**

Purchased Power costs were higher in 2011 primarily due to electricity sales growth. The increase was partially offset by higher generation from the Company's hydroelectric generating facilities.

Power Produced	**2,604**	**2,675**	**(71)**

Power Produced costs for 2011 were broadly consistent with 2010.

Administrative and Engineering Support	**7,132**	**6,046**	**1,086**

Administrative and Engineering Support costs were higher in 2011 due to normal wage increases, higher employee vacation costs, employee relocation costs and the reassignment of a manager from corporate to regional operations.

Environmental Policy	**269**	**315**	**(46)**

Environmental Policy costs for 2011 were broadly consistent with 2010.

Substations	**2,271**	**2,340**	**(69)**

Substation costs for 2011 were broadly consistent with 2010.

Transmission	**701**	**830**	**(129)**

Transmission operating costs were lower in 2011 as 2010 included costs related to restoration efforts following the March ice storm and Hurricane Igor.

Newfoundland Power Inc.
Explanation of Expense Variances
2011 versus 2010
($000s)

	2011	2010	Increase (Decrease)
Distribution	**8,769**	**8,728**	**41**

Distribution costs in 2010 were higher than average due to Hurricane Igor. 2011 costs are consistent with 2010 primarily due to increased maintenance and repair costs in the first quarter of 2011, recovery work following a December 2011 wind storm, normal salary increases and higher costs related to employee training and illness.

Communications	**1,472**	**1,508**	**(36)**

Communications operating costs were broadly consistent with 2010.

Fleet Operating and Maintenance Expense	**1,791**	**1,504**	**287**

Fleet Operating and Maintenance costs were higher in 2011 due to increased fuel costs.

Customer Service	**14,253**	**12,872**	**1,381**

Customer Service costs were higher in 2011 primarily as a result of higher costs related to conservation and demand management. Specifically, increased customer participation in energy programs resulted in higher customer program rebates. In addition, an increase in the allowance for doubtful accounts also contributed to higher costs in 2011. These increases were partially offset by Board approval in 2011 of the deferred recovery of costs related to the implementation of the Seasonal/Time of Day Rate Study.

Financial Services	**1,840**	**1,715**	**125**

Financial Services costs were higher in 2011 due to normal salary increases.

Information Systems	**2,965**	**2,856**	**109**

Information Systems operating costs were higher in 2011 due to normal salary increases.

Pension Costs	**11,566**	**7,588**	**3,978**

Pension Costs were higher in 2011 due to the amortization of 2008 losses on pension plan assets and a reduction in the pension plan discount rate used to determine the Company's accrued benefit pension obligation for 2011.

Newfoundland Power Inc.
Explanation of Expense Variances
2011 versus 2010
($000s)

	2011	2010	Increase (Decrease)
Other Post Employment Benefits ("OPEBs")	**9,003**	**712**	**8,291**

Effective January 1, 2011, the Company began recognizing OPEBs costs based on the accrual method of accounting. Prior to 2011, OPEBs were accounted for on the cash basis. In addition, 2011 OPEBs costs reflects the Board's approved amortization, over a 15-year period, of an OPEBs transitional asset arising out of the adoption of accrual accounting.

Corporate and Employee Services	**15,381**	**14,612**	**769**

Corporate and Employee Services costs were higher in 2011 due to costs related to U.S. GAAP implementation, increases in the annual PUB assessment, normal salary increases and higher non-regulated inter-corporate charges. These increases were partially offset by the reassignment of a manager to regional operations.

General Expenses Capitalized	**(2,914)**	**(2,429)**	**(485)**

The increase in General Expenses Capitalized (GEC) was primarily related to higher pension costs.

Amortization of Conservation Cost Deferral	**339**	**339**	**-**

The Conservation Cost Deferral amortization reflects the Board's approval of deferred recovery, over a 4-year period, of certain 2009 costs associated with the Company's energy conservation programs.

Deferred Cost Seasonal Rates/Time of Day	**(258)**	**-**	**(258)**

In 2011, the Board approved the deferred recovery of costs and revenues associated with implementing the Optional Seasonal/Time of Day Rate Study.

Newfoundland Power Inc.
Calculation of Taxable Income and Income Tax Expense
For The Year Ended December 31, 2011
($000s)

1	Net Earnings from Return 1		34,252
2			
3	Add: Provision for current income tax	20,498	
4	Provision for prior years taxes	(867)	
5	Provision for future income taxes	(2,754)	
6	Provision for Conservation Cost Deferral	(112)	
7	Provision for Demand Management Incentive (DMI)	(230)	
8	Provision for Cost Recovery Deferral	721	
9	Provision for Optional Seasonal/TOD Rate Cost Recovery	100	
10	Provision for Weather Normalization	(1,480)	15,876
11			
12	Net Income Before Income Taxes		50,128
13			
14	Add: Amortization of capital assets net of deferred expense	42,695	
15	Amortization of debt discount & expenses	190	
16	Amortization of credit facility costs	118	
17	Difference in overtime payments and accounting cost	2,233	
18	Difference in OPEBs payments and accounting cost	6,802	
19	Business meals & related expenses	214	
20	Special pension liability	229	
21	Difference in pension funding and accounting cost	6,081	
22	Stock option expense not deductible	376	
23	Small tools in excess of $500	217	
24	Deferred Hearing Expenses	253	
25	Deferred Conservation Costs	339	
26	Other non deductible costs	22	59,769
27			
28			109,897
29	Less:		
30	Capital cost allowance	41,340	
31	Cumulative eligible capital	9	
32	General expenses capitalized	3,749	
33	Interest charged to construction	970	
34	Bond issue expenses	132	
35	Deferred credit facility costs	130	
36	Optional Seasonal/TOD Rate Cost Recovery	328	
37	Cost Recovery Deferral	2,363	
38	Part VI.1 tax deduction	29,511	78,532
39			
40	Taxable Income		31,365
41			
42	Weather Normalization deducted as future tax		1,480
43	Provision for DMI		230
44	Income Tax - Part 1		9,566
45	Income Tax - Part VI.1		9,222
46	Provision for prior years taxes		(867)
47			
48	Current Income Tax Expense		19,631
49			
50	Provision for CDM		(112)
51	Provision for DMI		(230)
52	Provision for Weather Normalization		(1,480)
53	Provision for Cost Recovery Deferral		721
54	Provision for Optional Seasonal/TOD Rate Cost Recovery		100
55	Future income tax		(2,754)
56			
57	Future Income Tax Provision		(3,755)
58			
59	Total Tax Expense		15,876

Newfoundland Power Inc.
Accumulated Future Income Taxes
For The Year Ended December 31, 2011
($000s)

Plant Investments			
Balance on January 1, 2011			2,469
Add: CCA claimed on all property, plant and equipment - from Return 22		41,340	
Less: Amortization expense on all property, plant and equipment (GEC excluded from post-1986 additions)		38,888	
Difference		2,452	
Future Income Tax Rate @ 29%			711
Balance on December 31, 2011(if negative enter 0)			3,180
Pension and Early Retirement Costs			
Balance on January 1, 2011			1,148
Add: Pension Funding		5,352	
Less: Pension Expense (including Special Pension Costs)		10,501	
Difference		(5,149)	
Future Income Tax Rate @ 29%			(1,493)
Balance on December 31, 2011			(345)
Other Post Employment Benefits ("OPEBs")			
Balance on January 1, 2011			-
Add: OPEBs Payments		2,200	
Less: OPEBs Expense		9,002	
Difference		(6,802)	
Future Income Tax Rate @ 29%			(1,973)
Balance on December 31, 2011			(1,973)
Total Accumulated Future Income Taxes			**862**

Newfoundland Power Inc.
Average Regulated Capital Structure
For The Year Ended December 31, 2011
($000s)

Average Book Capital Structure

	Year-End December 31 2011	Year-End December 31 2010	Average	Percent
Total Debt	475,460	475,482	475,471	54.22%
Preference Shares	9,081	9,111	9,096	1.04%
Common Equity	384,030	400,502	392,266	44.74%
	868,571	885,095	876,833	100.00%

Average Regulated Capital Structure[1]

	Average 2011	Percent
Total Debt	475,471	54.22%
Preference Shares	9,096	1.04%
Common Equity	392,266	44.74%
	876,833	100.00%

[1] In Order No. P.U. 19 (2003), the Board ordered that the proportion of regulated common equity in the capital structure shall not exceed 45%. In years where the average common equity percentage is below 45% of the average invested capital, the average regulated capital structure will equal the average book capital structure.

Newfoundland Power Inc.
Cost of Embedded Debt
For The Years Ended December 31
($000s)

			2011	2010
1	**Debt**			
2	Bonds		458,488	463,688
3	Credit Facilities		20,000	15,000
4			478,488	478,688
5				
6	Debt Discount and Issue Expenses		(3,028)	(3,206)
7				
8			475,460	475,482
9				
10	Average Debt	**A**	475,471	477,366
11				
12	**Interest Expense**[1]			
13	Interest on Bonds		35,444	35,850
14	Interest on Credit Facilities		673	316
15	Interest on Bank Indebtedness		14	13
16	Amortization of Debt Discount and Issue Costs		308	232
17				
18		**B**	36,439	36,411
19				
20	**Embedded Cost of Debt**	**B/A**	**7.66%**	**7.63%**
21				
22				
23				

24 [1] Total financing costs for 2011 and 2010 reported in Return 1 are as follows:

		($000's)	
26		2011	2010
27	Interest Expense (B) from above	36,439	36,411
28	Add: Interest on Tax	5	38
29	Add: Interest on Security Deposits	10	4
30	Less: AFUDC (Debt portion only for 2011)	(510)	(820)
31	Interest Expense Reported in Return 1	35,944	35,633

Newfoundland Power Inc.
Explanation of Variances in Cost of Debt
For The Year Ended December 31, 2011
($000s)

		Actual 2011	Test Year 2010	Variance	
1	**Average Debt**	475,471	475,448	23	
2					
3	**Embedded Cost of Debt**	7.66%	7.64%	0.02%	
4					
5	**Details of the Embedded Cost of Debt**				
6	Interest on Bonds	35,444	35,849	(405)	
7	Interest on Credit Facilities	673	270	403	[1]
8	Interest on Bank Indebtedness	14	-	14	
9	Amortization of Debt Discount and Issue Costs	308	185	123	[2]
10					
11		36,439	36,304	135	
12					
13					
14					

15 **Explanation of Variances**

16 [1] Interest on credit facilities was higher than the 2010 Test Year due to continued capital expenditures related to customer growth.
17 This was partially offset by proceeds of $45.7 million related to the 2011 Bell Pole Sale.
18
19 [2] The increase in debt amortization costs is due to legal/accounting costs related to the Amended Committed Credit Facility Agreement
20 dated June 10, 2011.

Newfoundland Power Inc.
Regulated Return on Average Common Equity
For The Years Ended December 31
($000s)

		2011	2010
1	**Average Common Equity**		
2			
3	Common Equity at December 31, 2011	384,030	
4			
5	Common Equity at December 31, 2010	400,502	400,502
6			
7	Common Equity at December 31, 2009		381,185
8			
9	Average Common Equity	392,266	390,844
10			
11			
12	**Regulated Return on Average Common Equity**		
13			
14	Earnings Applicable to Common Shares - Return 1	33,685	35,005
15			
16	Add: Non-Regulated Expenses (net of income taxes)	1,604	979
17			
18		35,289	35,984
19			
20			
21	**Regulated Return on Average Common Equity**	**9.00%**	**9.21%**

Newfoundland Power Inc.
Assessable Revenue
(s. 13 of the *Public Utilities Act*)
For The Year Ended December 31, 2011
($000s)

1	Revenue From Rates from Return 14	552,558	
2			
3	Weather Normalization Revenue Adjustment from Return 17	(7,243)	
4			
5		545,315	
6			
7	Municipal Taxes Billed	14,286	
8			
9	Billing per the Rate Stabilization Account from Return 16	28,569	
10			
11	Total Electrical Revenue Billed		588,170
12			
13	Other Revenue from Return 14		10,465
14			
15	**Assessable Revenue**		**598,635**