WHENEVER. WHEREVER.
We'll be there.

NEWFOUNDLAND POWER
A FORTIS COMPANY

June 20, 2025

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

Attention: Jo-Anne Galarneau
Executive Director and Board Secretary

Dear Ms. Galarneau:

Re: Series AT First Mortgage Bond Application

Enclosed is Newfoundland Power Inc.'s ("Newfoundland Power" or the "Company") application for approval of a proposed issue of Series AT First Mortgage Bonds (the "Bonds").

The proceeds of the proposed issue of the Bonds will be used to repay credit facility borrowings, primarily incurred to finance the Company's capital expenditure program.

Newfoundland Power plans to price and close the issue on or before June 30, 2026. The actual terms and timing of issue of the Bonds will be subject to market conditions. The Bonds will be rated by both DBRS and Moody's prior to issue.

If you have any questions, please contact the undersigned.

Yours truly,

Doug Wright

Douglas Wright
Senior Legal Counsel

Enclosures

c. Shirley Walsh
Newfoundland and Labrador Hydro

Dennis Browne, KC
Browne Fitzgerald Morgan & Avis

Newfoundland Power Inc.
55 Kenmount Road • P.O. Box 8910 • St. John's, NL A1B 3P6
PHONE (709) 682-4143 • FAX (709) 737-2974 • **dwright@newfoundlandpower.com**

IN THE MATTER OF the *Electrical Power Control Act*, *1994*, SNL 1994, Chapter E-5.1 (the "*EPCA*") and the *Public Utilities Act*, RSNL 1990, Chapter P-47 (the "*Act*"), as amended, and the regulations thereunder; and

IN THE MATTER OF an Application by Newfoundland Power Inc. pursuant to section 91 of the *Act* for approval to issue Series AT First Mortgage Sinking Fund Bonds.

TO: The Board of Commissioners of Public Utilities (the "Board")

THE APPLICATION OF Newfoundland Power Inc. ("Newfoundland Power" or the "Company") **SAYS THAT:**

1. Newfoundland Power is a corporation duly organized and existing under the laws of the Province of Newfoundland and Labrador, is a public utility within the meaning of the *Act*, and is subject to the provisions of the *EPCA*.

2. Schedule A to this Application consists of the following in respect of Newfoundland Power:

    - Schedule A-1 Audited Financial Statements for the year ended December 31, 2024
    - Schedule A-2 Interim financial statements for Q1 2025
    - Schedule A-3 *2024 Management Discussion and Analysis*
    - Schedule A-4 *Interim Management Discussion and Analysis* for Q1 2025

3. Schedule B to this Application contains details on the long-term indebtedness of Newfoundland Power.

4. Schedule C to this Application contains details on indebtedness of Newfoundland Power other than long-term indebtedness.

5. Schedule D to this Application contains details on the shareholder's equity of Newfoundland Power.

6. Newfoundland Power proposes to issue Series AT First Mortgage Sinking Fund Bonds (the "Bonds") in an amount and upon the general terms indicated below:

Term	up to 40 years
Amount	up to $130,000,000
Coupon Rate	up to 6.5%
Pricing Date	on or before June 30, 2026
Issue Date	on or before June 30, 2026
Agency Fee	up to 0.5%
Incidental Costs (exclusive of Agency Fee)	approx. $350,000

7. The Bonds will be secured by a Deed of Trust and Mortgage bearing formal date of September 15, 1966, and made by Newfoundland Power, originally in favour of Montreal Trust Company, and now in favour of Computershare Trust Company of Canada, as supplemented and amended.

8. The proceeds of the Bonds will be used to repay credit facility borrowings, primarily incurred to finance the Company's capital expenditure program.

9. The issue of the Bonds will be made in accordance with all relevant laws including, without limitation, those laws governing the issue of securities.

10. An agreement for the sale of the Bonds will be negotiated by Newfoundland Power with one or more major Canadian Chartered Bank(s).

11. Pursuant to section 91 of the *Act*, Newfoundland Power requests the Board make an Order approving the issuance of the Bonds for the purposes and under the terms and conditions set forth in this Application.

DATED at St. John's, Newfoundland and Labrador, this 20th day of June, 2025.

NEWFOUNDLAND POWER INC.

Doug Wright

Douglas Wright
Senior Legal Counsel
PO Box 8910
55 Kenmount Road
St. John's, NL, A1B 3P6

Telephone: (709) 682-4143
Telecopier: (709) 737-2974

dwright@newfoundlandpower.com

IN THE MATTER OF the *Electrical Power Control Act, 1994*, SNL 1994, Chapter E-5.1 (the "*EPCA*") and the *Public Utilities Act*, RSNL 1990, Chapter P-47 (the "*Act*"), as amended, and the regulations thereunder; and

IN THE MATTER OF an Application by Newfoundland Power Inc. pursuant to section 91 of the *Act* for approval to issue Series AT First Mortgage Bonds.

AFFIDAVIT

I, Paige London, CPA, CA, of the City of St. John's, in the Province of Newfoundland and Labrador, make oath and say as follows:

1. That I am the Vice-President, Finance & Chief Financial Officer of Newfoundland Power Inc.;

2. That I have read and understand the foregoing Application; and

3. That to the best of my knowledge, information and belief, all matters, facts and things set out in the Application are true.

SWORN TO at the City of St. John's, in the Province of Newfoundland and Labrador, on this 20th day of June, 2025 before me:

Doug Wright

Douglas Wright
Barrister and Solicitor

Paige London

Paige London, CPA, CA

Annual Audited Financial Statements

December 31, 2024

Annual Audited Financial Statements
December 31, 2024

WHENEVER. WHEREVER.
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NEWFOUNDLAND POWER
A FORTIS COMPANY

Independent Auditor's Report

To the Shareholder and the Board of Directors of Newfoundland Power Inc.

Opinion

We have audited the financial statements of Newfoundland Power Inc. (the "Company"), which comprise the balance sheets as of December 31, 2024 and 2023, and the statements of earnings, changes in shareholder's equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2024. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Regulatory Assets and Liabilities - Impact of Rate Regulation - Refer to Notes 2 and 7 to the financial statements

Key Audit Matter Description

The Company is regulated by the Newfoundland and Labrador Board of Commissioners of Public Utilities (the "PUB") which sets electricity base rates charged to ratepayers. Base rates are designed to recover all reasonable and prudent costs of service and include per kilowatt-hour ("KWh") electricity charges and fixed charges. The Company's return on rate base ("RORB") is subject to review through regular General Rate Applications made to the PUB. Accounting for rate regulation impacts multiple financial statement line items and disclosures, such as property, plant, and equipment; regulatory assets and liabilities; revenues and expenses; and depreciation expense.

We identified the impact of rate regulation as a key audit matter due to the numerous judgments made by management to support its assertions about impacted account balances and disclosures and the potential uncertainties involved in assessing the impact of existing or future regulatory orders on the financial statements. Management judgments include assessing the likelihood of recovery of costs incurred or a refund to customers through the rate-setting process. While the Company has indicated they expect to recover costs from customers through regulated rates, there is a risk that the PUB will not approve full recovery of the costs incurred and a reasonable RORB. Auditing this matter required numerous judgments and specialized knowledge of accounting for rate regulation due to its inherent complexities.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the likelihood of recovery of costs from, or a refund to, customers through the rate-setting process, and included the following:

- Assessing relevant regulatory orders, regulatory statutes, and interpretations as well as procedural memorandums, utility and intervener filings, and other publicly available information to evaluate the likelihood of recovery in existing or future rates or of existing or future reduction in rates and the ability to earn a reasonable RORB.

- For regulatory matters in process, inspecting the Company's filings and intervenor filings for any evidence that might contradict management's assertions. We obtained and evaluated an analysis from management regarding cost recoveries or potential future reduction in rates, as appropriate.
- Evaluating the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with US GAAP, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tarah Schulz.

/s/ Deloitte LLP

Chartered Professional Accountants
St. John's, Newfoundland and Labrador
February 13, 2025

Statements of Earnings

For the years ended December 31

(in thousands of Canadian dollars, except per share amounts)

	2024	2023
Revenue *(Note 4)*	$ 788,877	$ 773,863
Expenses		
Purchased power	510,184	511,983
Operating expenses	90,570	85,800
Employee future benefits *(Note 11)*	(3,419)	(944)
Depreciation and amortization	87,082	82,407
Cost recovery deferrals, net *(Note 7)*	(242)	(814)
Finance charges	42,036	38,043
	726,211	716,475
Earnings Before Income Taxes	62,666	57,388
Income tax expense *(Note 8)*	12,057	11,392
Net Earnings	50,609	45,996
Net Earnings Applicable to Common Shares	$ 50,609	$ 45,996
Basic and Diluted Earnings per Common Share	$ 4.90	$ 4.46

Statements of Changes in Shareholder's Equity

For the years ended December 31

(in thousands of Canadian dollars, except per share amounts)

	Common Shares	Contributed Capital	Retained Earnings	Total Equity
As at January 1, 2024	$ 70,321	$ -	$ 512,280	**$ 582,601**
Net earnings	-	-	50,609	**50,609**
Allocation of Part VI.1 tax	-	-	636	**636**
Capital contribution *(Note 13)*	-	10,000	-	**10,000**
Dividends on common shares ($0.00 per share)	-	-	-	-
As at December 31, 2024	$ 70,321	$ 10,000	$ 563,525	**$ 643,846**
As at January 1, 2023	$ 70,321	$ -	$ 473,611	**$ 543,932**
Net earnings	-	-	45,996	**45,996**
Dividends on common shares ($0.71 per share)	-	-	(7,327)	**(7,327)**
As at December 31, 2023	$ 70,321	$ -	$ 512,280	**$ 582,601**

See accompanying notes to financial statements.

Balance Sheets

As at December 31

(in thousands of Canadian dollars)

	2024	2023
Assets		
Current assets		
Cash	$ -	$ 3,126
Accounts receivable *(Note 5)*	83,254	82,736
Income taxes receivable	-	3,574
Materials and supplies *(Note 6)*	3,577	3,408
Prepaid expenses	4,655	4,398
Regulatory assets *(Note 7)*	50,619	30,021
	142,105	127,263
Property, plant and equipment (net) *(Note 9)*	1,456,079	1,389,378
Intangible assets (net) *(Note 10)*	67,309	66,182
Defined benefit pension plans *(Note 11)*	67,826	47,509
Regulatory assets *(Note 7)*	373,945	363,263
Other assets	1,216	1,307
	$ 2,108,480	$ 1,994,902
Liabilities and Shareholder's Equity		
Current liabilities		
Short-term borrowings *(Note 12)*	$ 4,277	$ -
Accounts payable and accrued charges	113,340	103,198
Interest payable	8,509	8,534
Income taxes payable	4,814	-
Defined benefit pension plans *(Note 11)*	293	264
Other post-employment benefits *(Note 11)*	2,821	3,035
Regulatory liabilities *(Note 7)*	3,592	1,989
Current instalments of long-term debt *(Note 12)*	65,450	40,450
	203,096	157,470
Regulatory liabilities *(Note 7)*	264,795	256,739
Defined benefit pension plans *(Note 11)*	5,207	5,128
Other post-employment benefits *(Note 11)*	43,263	43,629
Other liabilities	913	945
Deferred income taxes *(Note 8)*	219,670	212,440
Long-term debt *(Note 12)*	727,690	735,950
	1,464,634	1,412,301
Shareholder's equity		
Common shares, no par value, unlimited authorized shares, 10.3 million shares issued and outstanding *(Note 13)*	70,321	70,321
Contributed capital *(Note 13)*	10,000	-
Retained earnings	563,525	512,280
	643,846	582,601
	$ 2,108,480	$ 1,994,902

See accompanying notes to financial statements.

APPROVED ON BEHALF OF THE BOARD:

Lynn Healey
Director

Gina Pecore
Director

Statements of Cash Flows

For the years ended December 31

(in thousands of Canadian dollars)

	2024	2023
Operating Activities		
Net earnings	$ 50,609	$ 45,996
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation of property, plant and equipment	80,543	76,945
Amortization of intangible assets and other	6,771	5,679
Change in long-term regulatory assets and liabilities	(39,800)	(37,306)
Deferred income taxes *(Note 8)*	(2,570)	14,656
Employee future benefits	(9,125)	(6,361)
Other	10	(909)
Change in working capital *(Note 14)*	16,237	(34,922)
	102,675	63,778
Investing Activities		
Capital expenditures *(Note 14)*	(131,323)	(126,767)
Intangible asset expenditures	(7,666)	(23,422)
Contributions from customers	2,462	5,197
	(136,527)	(144,992)
Financing Activities		
Change in short-term borrowings	4,277	(1,361)
Net borrowings under committed credit facility	25,000	12,000
Proceeds from long-term debt *(Note 12)*	-	90,000
Repayments of long-term debt *(Note 12)*	(8,450)	(8,450)
Capital contribution *(Note 13)*	10,000	-
Payment of debt financing costs	(101)	(522)
Dividends on common shares	-	(7,327)
	30,726	84,340
Change in Cash	(3,126)	3,126
Cash, Beginning of Year	3,126	-
Cash, End of Year	$ -	$ 3,126
Cash Flows Include the Following:		
Interest paid	$ 42,345	$ 37,718
Income taxes paid	$ 9,004	$ 9,660
Income taxes (refunded)	$ (3,422)	$ (10,049)

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2024

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 serves approximately 277,000 customers comprising approximately 87% of all electricity consumers in the Province. All of the common shares of the Company are owned by Fortis Inc. ("Fortis"). Newfoundland Power has an installed generating capacity of 145 megawatts ("MW"), of which approximately 98 MW is hydroelectric generation. The Company generates approximately 7% of its energy needs and purchases the remainder from Newfoundland and Labrador Hydro ("Hydro").

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 an opportunity to recover, through customer rates, all reasonable 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. 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 include generation, transmission and distribution services.

As authorized by the PUB, Newfoundland Power maintains a capital structure comprised of approximately 55% debt and 45% common equity. The Company's cost of capital for ratemaking purposes through 2024 is based upon an 8.5% return on equity.

On June 12, 2024, the Company filed an application with the PUB proposing a 9.3% increase in customer electricity rates effective July 1, 2024. This was the result of: (i) a 7.0% increase due to the Company's Rate Stabilization Account ("RSA"), largely reflecting additional power supply costs incurred and paid to Hydro in 2023; and (ii) a 2.3% increase from Hydro due to updated wholesale rate adjustments associated with the Government of Newfoundland and Labrador's rate mitigation plan announced in May 2024. On July 10, 2024, the PUB issued an order approving recovery of a portion of the RSA balance that provided for an overall average increase in customer electricity rates of approximately 7.0% effective August 1, 2024. The order directed that the remaining portion of Newfoundland Power's RSA balance as at March 31, 2024 of approximately $18.8 million be maintained in the RSA (Note 7(i)).

On October 15, 2024, the PUB issued an order on the Company's 2024 Rate of Return on Rate Base Application (the "2024 RORB Application"). The order approved: (i) a 2024 regulated rate of return on rate base of 6.67%, with a range of ±18 basis points; (ii) a 2024 forecast average rate base of $1,362.8 million; (iii) deferred cost recovery of a 2024 revenue shortfall of $9.0 million, with transfer of the amount to the Company's RSA on December 31, 2024 (Note 7(i)); and (iv) transfer of the balance in the Company's Excess Earnings Account as of December 31, 2023 of $5.4 million to the RSA on December 31, 2024. The impact of the order was recognized in the fourth quarter of 2024.

On December 13, 2024, the PUB issued an order approving $128.0 million in capital expenditures for 2025. All proposed projects and programs were approved as filed. Approximately 50% of the capital expenditures relate to maintenance of the electricity system.

On January 16, 2025, the PUB issued orders approving the Company's and Hydro's applications to establish a new wholesale rate effective January 1, 2025. The order approved: (i) flowing through the impacts of the revised wholesale rate on the Company's 2025 and 2026 test year revenue requirements as part of its 2025/2026 General Rate Application (the "2025/2026 GRA"); and (ii) rebasing power supply costs into base rate test year revenue requirements.

On January 16, 2025, the PUB also issued an order on the Company's 2025/2026 GRA which established the Company's cost of capital for ratemaking purposes for 2025 through 2027 based upon an 8.6% return on equity and 45% common equity. The PUB directed the Company to file a compliance application reflecting the settlement agreements reached in relation to its 2025/2026 GRA, the 2025/2026 GRA order and other applicable orders, including the flow-through impacts associated with the revised wholesale rate from Hydro and the annual July 1st RSA. Customer rate impacts effective July 1, 2025 will be determined following the PUB's review of the Company's compliance application. The Company is required to file its next general rate application on or before June 1, 2027.

2. Summary of Significant Accounting Policies

The significant accounting policies of the Company are as follows.

Basis of Presentation
These financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") pursuant to an order of the Ontario Securities Commission ("OSC"). The order permits Newfoundland Power to prepare its financial statements in accordance with U.S. GAAP until the earliest of: (i) January 1, 2027; (ii) the first day of the financial year that commences after the Company ceases to have activities subject to rate regulation; and (iii) the first day of the financial year that commences on or following the later of: (a) the effective date prescribed by the International Accounting Standards Board ("IASB") for a mandatory application of a rate-regulated standard; and (b) two years after the IASB publishes the final version of a mandatory rate-regulated standard.

Revenue Recognition
The majority of the Company's revenue is generated from electricity sales to customers based on published tariff rates, as approved by the PUB. 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 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 (Note 7). Other revenue is recognized when the service is rendered.

Sales Taxes
In the course of its operations, the Company collects municipal taxes and sales taxes from its customers. When customers are billed, a current liability is recognized for municipal taxes included in electricity rates charged to customers and sales taxes included on customers' bills. The liability is settled when the taxes are remitted to the appropriate government authority. The Company's revenue excludes municipal taxes and sales taxes.

Allowance for Credit Losses
The Company records an allowance for credit losses to reduce accounts receivable for amounts estimated to be uncollectible from customers. The allowance is estimated based on historical collection patterns, sales, and current and forecasted economic and other conditions.

Materials and Supplies
Materials and supplies, representing fuel and materials required for maintenance activities, are measured at the lower of average cost and net realizable value.

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.

Certain comparative figures within regulatory assets and liabilities have been reclassified to conform to the current year's presentation. Specifically, the changes relate to presenting the employee future benefits regulatory assets and liabilities on a gross versus a net presentation basis. See Note 7 that now aligns with historical presentation in Note 11. The new presentation also has an effect on the composition of the Company's net deferred income tax liability. See Note 8. The change has no impact on net earnings or retained earnings.

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.

Maintenance and repairs of utility capital assets are charged to expense in the period incurred, while replacements and betterments which extend the useful lives are capitalized.

2. Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment (cont'd)

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 a PUB Order. In 2024, GEC totalled $4.7 million (2023 - $5.1 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 2024, the cost of equity financing capitalized as AFUDC and recorded in other revenue was approximately $0.6 million (2023 - $1.2 million). The debt component of AFUDC totalling $0.8 million in 2024 (2023 - $1.5 million) is recorded as a reduction of finance charges.

Property, plant and equipment are depreciated using the straight-line method by applying the depreciation rates approved by the PUB and disclosed below to the average original cost of the related assets, including GEC and AFUDC.

The Company's depreciation methodology, including depreciation rates, accumulated depreciation and estimated remaining service lives, is subject to periodic review by external experts (a "Depreciation Study").

Based on the 2019 Depreciation Study, and as approved by the PUB, the composite depreciation rates for the Company's property, plant and equipment, as well as their service life ranges and average remaining service lives are as follows.

		Service Life (Years)	
	Composite Depreciation Rate (%)	Range	Average Remaining
Distribution	3.1	18-65	29
Transmission and substations	3.1	33-70	28
Generation	2.8	21-80	30
Transportation and communications	8.3	6-30	6
Buildings	2.6	37-80	25
Equipment	10.0	5-25	5

The difference between actual accumulated depreciation and that indicated by a Depreciation Study is treated as a depreciation variance which is used to increase or decrease depreciation expense and is included in customer rates in a manner prescribed by the PUB. The 2019 Depreciation Study, which was based on property, plant and equipment in service as at December 31, 2019, indicated an accumulated depreciation variance of $31.9 million. The PUB ordered that this variance be amortized as an increase in depreciation expense of property, plant and equipment over the average remaining service life of the related assets.

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 depreciation. As a result, any gain or loss is charged to accumulated depreciation and is effectively included in the depreciation variance arising from the next Depreciation Study.

Intangible Assets

Intangible assets are recorded at cost and amortized over their estimated useful lives using the straight-line method by applying the amortization rates approved by the PUB to the cost of the related assets. The weighted average amortization rates for intangible assets in 2024 were 10.0% for computer software (2023 – 10.0%), 5.56% for the customer information system (2023 – 5.56%) and 1.5% for land rights (2023 – 1.5%).

2. Summary of Significant Accounting Policies (cont'd)

Intangible Assets (cont'd)

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 Depreciation 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 values exceed 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 values, which is determined using present value techniques, is recognized in earnings in the period in which it is identified. There was no impairment of long-lived assets for the years ended December 31, 2024 or 2023.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities. The deferred income tax assets and liabilities are measured using enacted income tax rates and laws that are expected to be in effect when the differences are expected to be recovered or settled. The effect of a change in income tax rates on deferred 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

Newfoundland Power recovers current income tax expense in customer rates. The Company is permitted to recover deferred income tax expense by the PUB as follows.

Effective January 1, 1981, deferred income tax liabilities are recognized and recovered in customer rates on temporary differences associated with the cumulative excess of capital cost allowance over depreciation of property, plant and equipment.

Effective January 1, 1987, the PUB order noted above was modified to exclude GEC from the depreciation of property, plant and equipment.

Effective January 1, 2008, deferred income taxes are recognized and recovered in customer rates on temporary differences between pension expense and pension funding.

Effective January 1, 2011, deferred income taxes are recognized and recovered in customer rates on temporary timing differences between other post-employment benefits ("OPEB") costs recovered using the accrual method and cash payments.

Deferred income taxes associated with the Company's regulatory reserves and certain regulatory deferrals are also recognized and included in the determination of customer rates (Note 7).

Deferred income tax assets and liabilities associated with other temporary differences between the tax basis of assets and liabilities and their carrying amounts 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 recognizes these deferred income tax liabilities with an offsetting increase in regulatory assets. The Company's regulatory asset for deferred income taxes as at December 31, 2024 was $261.8 million (2023 - $252.0 million) (Note 7).

The allocation of Part VI.1 tax to Newfoundland Power from Fortis associated with preference share dividends is recognized in retained earnings upon signing the respective agreement.

Tax benefits associated with income tax positions taken, or expected to be taken, in an income tax return are recognized only when the more likely than not recognition threshold is met.

Interest related to unrecognized tax benefits is recognized in finance charges and any associated penalties are recognized in operating expenses.

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 an OPEB plan. The OPEB plan is 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

The Company's defined contribution plans are its individual and group registered retirement savings plans. Defined contribution pension plan costs are expensed as incurred.

The Company's defined benefit plans are its funded defined benefit pension plan, an unfunded pension uniformity plan ("PUP"), and an unfunded supplementary employee retirement plan ("SERP"). The funded defined benefit pension plan and the PUP are closed to new entrants.

The net benefit costs and projected benefit obligations of the funded defined benefit pension plan and the PUP are actuarially determined using the projected benefits method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. Discount rates reflect market interest rates on high-quality bonds with cash flows that match the timing and amount of pension payments. The net benefit costs and projected benefit obligations of the SERP are determined based upon employee earnings and years of service. Net benefit costs are also impacted by the amortization of various regulatory assets and liabilities (Note 7 (iv)).

Pension plan assets of the funded defined benefit pension plan are valued at market-related value, where investment returns in excess of or below expected returns are recognized in the 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.

Other Post-Employment Benefits

The net benefit cost and projected benefit obligation of the OPEB plan are actuarially determined using the projected benefits method pro-rated on service and best estimate of health care costs. Discount rates reflect market interest rates on high-quality bonds with cash flows that match the timing and amount of OPEB payments. Net benefit costs are also impacted by the amortization of various regulatory assets (Note 7 (ii)). 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.

Asset Retirement Obligations

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 assets containing oil and polychlorinated biphenyl. Obligations related to other Company facilities consist of the removal of fuel storage tanks and asbestos. These obligations have been 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.

Leases

A right-of-use asset and lease liability is recognized for all leases with a term greater than 12 months. The right-of-use asset and liability are both measured at the present value of future lease payments, excluding variable payments that are based on usage or performance.

2. Summary of Significant Accounting Policies (cont'd)

Use of Accounting Estimates

The preparation of financial statements in accordance with U.S. 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 requires amounts to be recorded at estimated values until these amounts are finalized pursuant to regulatory decisions or other regulatory proceedings. Due to changes in facts and circumstances and the inherent uncertainty 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. Future Accounting Pronouncements

The Company considers the applicability and impact of all accounting standards updates ("ASUs") issued by the Financial Accounting Standards Board. The following update has been issued by the FASB but has not yet been adopted by Newfoundland Power. Any upcoming ASUs not included below were assessed and determined to be either not applicable to the Company or are not expected to have a material impact on the financial statements.

ASU No. 2024-03, *Disaggregation of Income Statement Expenses*, issued in November 2024, is effective for Newfoundland Power on January 1, 2027 for annual periods and on January 1, 2028 for interim periods, on a prospective basis, with retrospective application and early adoption permitted. The ASU requires disclosure of specified information about certain costs and expenses. Newfoundland Power is assessing the impact that the adoption of this update will have on its financial statements and related disclosures.

4. Revenue

The composition of the Company's revenue follows.

	2024	2023
Electricity revenue		
Residential	$ 469,321	$ 468,774
Commercial	244,874	245,754
Street lighting	16,395	16,536
Regulatory deferrals and amortizations (Note 7)	39,665	28,400
	770,255	759,464
Other contract revenue	11,891	10,650
Other revenue	6,731	3,749
Total revenue	$ 788,877	$ 773,863

Electricity revenue

Electricity revenue includes revenue from the delivery of electricity to residential and commercial customers and the provision of street lighting service to municipalities.

Other contract revenue

Other contract revenue is primarily the result of other contracts with customers including: (i) revenue from telecommunication companies for pole attachments and other pole-related services; (ii) wheeling revenue from Hydro for transmitting electricity to its customers using Newfoundland Power's electrical system; and, (iii) revenue from customers for services other than those directly related to delivery of electricity service.

Other revenue

Other revenue includes interest revenue, the equity portion of AFUDC and other miscellaneous amounts.

5. Accounts Receivable

The timing of revenue recognition, billings and cash collections from contracts with customers results in trade accounts receivable and unbilled accounts receivable. The composition of the Company's accounts receivable follows.

	2024	2023
Trade accounts receivable	$ 56,608	$ 53,729
Unbilled accounts receivable	29,984	31,789
Other	706	1,094
Allowance for credit losses	(4,044)	(3,876)
	$ 83,254	$ 82,736

Accounts receivable is recorded net of an allowance for credit losses. The change in the allowance for credit losses balance from December 31, 2023 and December 31, 2022 follows.

	2024	2023
Balance, beginning of year	$ (3,876)	$ (3,929)
Credit loss expense	(1,802)	(1,971)
Write-offs	2,311	2,711
Recoveries	(677)	(687)
Balance, end of year	$ (4,044)	$ (3,876)

6. Materials and Supplies

	2024	2023
Materials and supplies	$ 2,915	$ 2,721
Fuel in storage	662	687
	$ 3,577	$ 3,408

7. 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.

	2024	2023	Remaining Recovery Period (Years)
Regulatory assets			
Rate stabilization account (i)	$ 79,787	$ 36,615	Various
OPEB (ii)	3,504	7,008	1
Conservation and demand management deferral (iii)	30,398	29,581	10
Employee future benefits (iv)	40,455	53,917	Benefit payment period
Weather normalization account (v)	-	9,031	N/A
Pension capitalization deferral (vi)	1,711	1,141	4
Cost recovery deferral (vii)	-	328	N/A
Electrification deferral (viii)	2,503	1,953	N/A
Demand management incentive ("DMI") (ix)	2,208	1,398	2
Deferred GRA hearing costs (x)	1,248	-	3
Load research and rate design cost deferral (xii)	908	270	N/A
Deferred income taxes (Note 8)	261,842	252,042	Life of related assets
Total regulatory assets	$ 424,564	$ 393,284	
Less: current portion	(50,619)	(30,021)	
Long-term regulatory assets	$ 373,945	$ 363,263	

7. Regulatory Assets and Liabilities (cont'd)

	2024	2023	Remaining Settlement Period (Years)
Regulatory liabilities			
Weather normalization account (v)	$ 4,137	$ -	2
Employee future benefits (iv)	43,728	44,701	Benefit payment period
Future removal and site restoration provision (xi)	220,522	208,722	Life of related assets
Excess earnings (xiii)	-	5,305	N/A
Total regulatory liabilities	$ 268,387	$ 258,728	
Less: current portion	(3,592)	(1,989)	
Long-term regulatory liabilities	$ 264,795	$ 256,739	

(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 variances in Hydro's supply costs charged to the Company. Effective July 1, 2022, the RSA also passes through amounts approved for the Muskrat Falls project cost recovery rider to the Company's customers.

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. The amount transferred to the RSA in 2024 for recovery from customers due to the Energy Supply Cost Variance was $28.6 million (2023 - $29.2 million).

The pension expense variance deferral account ("PEVDA") is charged or credited with the amount by which actual pension expense differs from amounts approved in customer rates by the PUB due to variations in assumptions. Each year, at March 31, the balance in the PEVDA is transferred to the Company's RSA and disposed of in accordance with the operation of the RSA. The amount transferred from the PEVDA to the RSA in 2024 for recovery from customers was $0.9 million (2023 - $1.4 million)

The OPEB cost variance deferral account is charged or credited with the amount by which actual OPEB expense differs from amounts approved in customer rates by the PUB due to variations in assumptions. Each year, at March 31, the balance in the OPEB cost variance deferral account is transferred to the Company's RSA and disposed of in accordance with the operation of the RSA. The amount transferred from the OPEB cost variance deferral account to the RSA in 2024 for refund to customers was $3.7 million (2023 - $1.1 million).

The Company's RSA currently maintains an $18.8 million balance as a result of the PUB decision to limit the August 1, 2024 customer rate increase from the Company's RSA to 7.0% (Note 1). The timing of recovery of this balance is subject to a further order from the PUB.

Deferred cost recovery of a 2024 revenue shortfall of $9.0 million was transferred to the Company's RSA on December 31, 2024, as approved by the PUB.

Customer energy conservation program costs and balances in the weather normalization account are also transferred to the RSA (Notes 7 (iii) and (v)).The RSA is also adjusted from time-to-time by other amounts as approved by the PUB, including balances in the DMI and excess earnings accounts (Notes 7(ix) and (xiii)).

(ii) OPEB

This regulatory asset represents the accumulated difference between OPEB expense recognized on a cash basis for regulatory purposes and an accrual basis for financial reporting purposes from 2000 through 2010. Effective January 1, 2011, the PUB ordered the adoption of the accrual method of accounting for OPEB and the $52.6 million regulatory asset be amortized evenly over 15 years.

7. Regulatory Assets and Liabilities (cont'd)

(iii) Conservation and Demand Management Deferral

As ordered by the PUB, annual customer energy conservation program costs are deferred and amortized to operating expenses over the subsequent ten-year period, consistent with the period these costs are recovered from customers. Conservation program costs of $5.7 million were deferred in 2024 (2023 - $6.2 million). The amount transferred to the RSA in 2024 for recovery from customers was $4.8 million (2023 - $4.2 million).

(iv) Employee Future Benefits

Upon transition to U.S. GAAP in 2012, the PUB approved the following with respect to the accounting for employee future benefits.

(a) Opening unamortized balances and future amounts of past service costs and actuarial gains or losses are recorded as a regulatory asset or liability, rather than accumulated other comprehensive income. The amortization of these balances will continue to be included in the calculation of employee future benefit expense. Refer to Note 11 for the composition of employee future benefits regulatory assets and liabilities.

(b) The period over which pension expense had been recognized differed between that used for regulatory purposes and that used for U.S. GAAP. Therefore, the cumulative difference was recorded as a regulatory asset to be recovered from customers in future rates. The PUB ordered that pension expense for regulatory purposes be recognized in accordance with U.S. GAAP effective January 1, 2013 and that the accumulated difference in pension expense to December 31, 2012 of $12.4 million be amortized evenly over 15 years to pension expense.

(v) 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. The PUB has ordered that balances in the weather normalization account be recovered through the RSA (Note 7 (i)). The amount transferred to the RSA in 2024 for recovery from customers was $9.0 million (2023 - $9.4 million refund to customers).

(vi) Pension Capitalization Deferral

As approved in the 2022/2023 GRA Order, the Company recorded a $1.1 million deferral of forecast revenue requirement increase in 2024 (2023 - $1.4 million). The deferrals are amortized over a five-year period beginning January 1, 2023. Amortization of $0.5 million was recorded in 2024 (2023 - $0.3 million).

(vii) Cost Recovery Deferral

As approved in the 2022/2023 GRA Order, the Company recorded a $0.9 million under-recovery from customers in 2022. The deferral was amortized over a 34-month period from March 1, 2022 to December 31, 2024. Amortization of $0.3 million was recorded in 2024 (2023 - $0.3 million).

(viii) Electrification Deferral

As approved in the 2022/2023 GRA Order, the Company will record costs incurred in implementing Customer Electrification Initiatives in a deferral account. A recovery mechanism for these costs has not yet been approved by the PUB.

(ix) 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 to the RSA are determined by orders of the PUB following consideration of the Company's conservation and demand management activities. The amount transferred to the RSA in 2024 for recovery from customers was $1.4 million (2023 – $0.2 million refund to customers).

(x) Deferred GRA Hearing Costs

This represents costs related to the 2025/2026 GRA hearing. The deferral of up to $1.0 million will be amortized to operating expenses over the period of July 1, 2025 to December 31, 2027, as approved by the PUB, with any difference to be transferred to the RSA.

(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 are recorded against the regulatory liability when incurred. The regulatory liability represents the amount of expected future removal and site restoration costs associated with the applicable property, plant and equipment in service as at December 31, calculated using current depreciation rates as approved by the PUB.

7. Regulatory Assets and Liabilities (cont'd)

(xii) Load Research and Rate Design Cost Deferral

As approved in the 2022/2023 GRA Order, the Company will record costs incurred associated with the completion of a Load Research and Rate Design Review in a deferral account. A recovery mechanism for these costs has not yet been approved by the PUB.

(xiii) Excess Earnings

This account represents regulatory earnings for 2023 in excess of the upper limit of the allowed range of return on rate base as determined by the PUB. As approved in the 2024 RORB Order, the balance in the Company's excess earnings account was transferred to the RSA on December 31, 2024 (Note 7(i)).

8. Income Taxes

The composition of the Company's income tax expense follows.

	2024	2023
Current income tax expense	$ 14,627	$ (3,264)
Deferred income tax expense	7,230	23,145
Less: regulatory adjustment	(9,800)	(8,489)
	$ 12,057	$ 11,392

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.

	2024	2023
Earnings before income taxes	$ 62,666	$ 57,388
Statutory tax rate	30.0%	30.0%
Income taxes, at statutory rate	18,800	17,216
Items capitalized for accounting purposes but expensed for income tax purposes	(1,830)	(2,331)
Difference between capital cost allowance and depreciation and amortization expense	(4,103)	(3,896)
Other	(810)	403
Income tax expense	$ 12,057	$ 11,392
Effective income tax rate	19.2%	19.9%

The composition of the Company's net deferred income tax liability follows.

	2024	2023
Deferred income tax liabilities		
Property, plant and equipment	$ 228,571	$ 218,064
Intangible assets	24,440	24,563
Regulatory assets	30,405	39,032
Defined benefit pension plans	25,710	18,057
Total deferred income tax liabilities	$ 309,126	$ 299,716
Deferred income tax assets		
Regulatory liabilities	$ (77,725)	$ (75,255)
OPEB	(10,352)	(10,777)
Other	(1,379)	(1,244)
Total deferred income tax assets	(89,456)	(87,276)
Net deferred income tax liability	$ 219,670	$ 212,440

The net deferred income tax liability includes a gross up to reflect the income tax associated with future revenue required to fund the net deferred income tax liability (Note 7).

8. **Income Taxes (cont'd)**

As at December 31, 2024, the Company had no material non-capital or capital losses carried forward. As at December 31, 2024, the Company had no material unrecognized tax benefits related to uncertain tax positions.

As at December 31, 2024, the Company's tax years open to examination by taxing authorities include 2017, 2019 and subsequent years.

9. **Property, Plant and Equipment**

	Cost		Accumulated Depreciation		Net Book Value	
	2024	2023	2024	2023	2024	2023
Distribution	$ 1,238,678	$ 1,184,377	$ (437,903)	$ (419,833)	$ 800,775	$ 764,544
Transmission and substations	516,899	490,508	(140,512)	(133,649)	376,387	356,859
Generation	278,986	278,197	(118,162)	(112,768)	160,824	165,429
Transportation and communications	51,677	51,284	(27,039)	(25,576)	24,638	25,708
Land, buildings and equipment	91,562	88,926	(35,657)	(34,277)	55,905	54,649
Construction in progress	22,274	7,816	-	-	22,274	7,816
Construction materials	15,276	14,373	-	-	15,276	14,373
	$2,215,352	$2,115,481	$ (759,273)	$ (726,103)	$ 1,456,079	$ 1,389,378

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.

10. **Intangible Assets**

	Cost		Accumulated Amortization		Net Book Value	
	2024	2023	2024	2023	2024	2023
Computer software	$ 81,005	$ 78,463	$ (27,321)	$ (24,002)	$ 53,684	$ 54,461
Land rights	19,458	17,390	(5,833)	(5,669)	13,625	11,721
	$ 100,463	$ 95,853	$ (33,154)	$ (29,671)	$ 67,309	$ 66,182

Amortization expense related to intangibles was $6.5 million for 2024 (2023 - $5.5 million).

11. Employee Future Benefits

The projected benefit obligation for all of the Company's defined benefit plans, and the market-related value of plan assets for the Company's funded defined benefit pension plan, are measured for accounting purposes as at December 31 of each year.

The latest actuarial valuation of the Company's defined benefit pension plan for funding purposes was as of December 31, 2022. The valuation indicated the funded status of the plan as at December 31, 2022 on a going concern and solvency basis. On a going concern basis, the surplus increased from $67.6 million as at December 31, 2019 to $131.0 million as at December 31, 2022. On a solvency basis, the funding position surplus increased from $19.2 million as at December 31, 2019 to $29.2 million as at December 31, 2022 due to a higher estimated discount rate.

The next funding valuation for the defined benefit pension plan is expected to be as of December 31, 2025. The most recent actuarial valuation of the Company's OPEB plan was as at December 31, 2023.

Details of the Company's defined benefit plans follow.

	2024		2023	
	Defined Benefit Pension Plans[1]	OPEB Plan	Defined Benefit Pension Plans[1]	OPEB Plan
Change in projected benefit obligation				
Balance, beginning of year	$ 346,053	$ 46,664	$ 328,995	$ 66,516
Service costs	1,852	1,223	2,492	1,515
Employee contributions	350	-	424	-
Interest costs	15,440	2,077	16,862	3,421
Benefits paid	(21,592)	(2,865)	(20,787)	(3,324)
Actuarial (gain) loss	(3,509)	(1,015)	18,067	(21,464)
Balance, end of year [2]	$ 338,594	$ 46,084	$ 346,053	$ 46,664
Change in fair value of plan assets				
Balance, beginning of year	$ 388,170	$ -	$ 364,079	$ -
Actual return on assets	32,405	-	42,682	-
Benefits paid	(21,592)	(2,865)	(20,787)	(3,324)
Employee contributions	350	-	424	-
Employer contributions	1,587	2,865	1,772	3,324
Balance, end of year	$ 400,920	$ -	$ 388,170	$ -
Funded status, net asset (liability), end of year	$ 62,326	$ (46,084)	$ 42,117	$ (46,664)
Balance Sheet Presentation				
Long-term assets	$ 67,826	$ -	$ 47,509	$ -
Current liabilities	(293)	(2,821)	(264)	(3,035)
Long-term liabilities	(5,207)	(43,263)	(5,128)	(43,629)
	$ 62,326	$ (46,084)	$ 42,117	$ (46,664)

1 *The Company's defined benefit plans include the funded defined benefit pension plan, the PUP and the SERP.*

2 *The accumulated benefit obligation for defined benefit pension plans, which includes no assumption about future salary levels, was $329.7 million at December 31, 2024 (December 31, 2023 - $335.5 million).*

11. Employee Future Benefits (cont'd)

Newfoundland Power's net benefit costs for its defined benefit pension and OPEB plans included in regulatory assets and liabilities and yet to be recognized are as follows.

	2024		2023	
	Defined Benefit Pension Plans	OPEB Plan	Defined Benefit Pension Plans	OPEB Plan
Employee future benefits regulatory asset (liability) (Note 7 (iv))				
Unrecognized actuarial losses (gains)	$ 37,982	$ (43,728)	$ 50,619	$ (44,701)
Unrecognized transitional obligations	2,473	-	3,298	-
	$ 40,455	$ (43,728)	$ 53,917	$ (44,701)
OPEB regulatory asset (Note 7 (ii))	$ -	$ 3,504	$ -	$ 7,008

The change in regulatory assets and liabilities associated with the Company's defined benefit pension and OPEB plans for 2024 and 2023 follow.

	2024		2023	
	Defined Benefit Pension Plans	OPEB Plan	Defined Benefit Pension Plans	OPEB Plan
Actuarial (gains) losses	$ (12,638)	$ (1,015)	$ 28	$ (21,464)
Amortization of OPEB regulatory asset	-	(3,504)	-	(3,504)
Amortization of actuarial gains	-	1,988	-	910
Amortization of pension deferral costs	(824)	-	(824)	-
Total	$ (13,462)	$ (2,531)	$ (796)	$ (24,058)

Significant Assumptions

The following table provides the weighted-average assumptions used to determine benefit obligations for the Company's defined benefit pension and OPEB plans. These rates are used in determining the net benefit costs in the following year.

	2024		2023	
	Defined Benefit Pension Plans	OPEB Plan	Defined Benefit Pension Plans	OPEB Plan
Discount rate (%)	4.70	4.70	4.60	4.60
Rate of compensation increase (%)	3.50	-	3.50	-
Expected long-term rate of return on plan assets (%)[1]	5.50	-	5.75	-
Health care cost trend increase (%)[2]	-	4.00	-	4.00

[1] *Developed by management with assistance from an independent actuary. The best estimates are based on historical performance, future expectations and periodic portfolio rebalancing among the diversified asset classes.*

[2] *The health care cost trend rate at December 31, 2024 is 5.86% for the OPEB plan (2023 – 6.14%). This rate is assumed to decrease to the ultimate health care cost trend rate of 4.0% by 2040.*

11. Employee Future Benefits (cont'd)

Plan Assets

The investment strategy of the Company's funded defined benefit pension plan is to ensure that the pension plan assets, together with expected contributions, are invested in a prudent and cost-effective manner so as to optimally meet the liabilities of the plan for its members.

The investment objective of the pension plan is to maximize return in order to manage the funded status of the plan, and minimize the Company's cost over the long-term, as measured by both cash contributions and pension expense for financial statement purposes.

The Company's funded primary defined benefit pension plan asset allocation is as follows.

Plan assets as at December 31	**2024**		**2023**	
(%)	**Target Allocation**	**Actual[1]**	**Target Allocation**	**Actual[1]**
Canadian equities	10	10	10	10
International equities	30	31	30	31
Fixed income	60	59	60	59
Total	100	100	100	100

[1] *The defined benefit pension plan assets will be rebalanced to target only if actual results are +/- 5% outside of target allocation.*

Newfoundland Power periodically reviews its investment strategy and asset allocation. Based on the review completed in the second quarter of 2024, the allocation of fixed income investments was updated to incorporate a decrease in the overall duration to reduce interest rate risk and pension expense volatility, while maintaining the opportunity to earn a reasonable return on pension plan assets.

Fair Value of Plan Assets

The guidance on fair value measurements emphasizes that plan asset measurement should be based on assumptions that market participants would use to price the plan assets. The Company's funded defined benefit pension plan assets are measured using the market approach valuation technique. The assumptions or inputs to the valuation technique are categorized into three levels. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment.

The fair value measurements for all of the Company's equity and debt securities, as held in various pooled funds, are classified as Level 2 inputs based on the three-level hierarchy that distinguishes the level of pricing observability utilized in measuring fair value. Level 2 includes inputs other than quoted market prices in active markets that are either directly or indirectly observable for the asset or liability.

The fair value of the Company's primary defined benefit pension plan assets are as follows.

	2024	**2023**
Canadian equities	$ 40,792	$ 39,904
International equities	122,814	121,575
Fixed income	237,314	226,691
Total fair value	$ 400,920	$ 388,170

11. Employee Future Benefits (cont'd)

Expected Cash Flows

The estimated future benefit payments for the defined benefit pension and OPEB plans follow.

	Defined Benefit Pension Plans	OPEB Plan
2025	$ 21,475	$ 2,821
2026	22,357	3,089
2027	22,758	3,030
2028	22,963	3,026
2029	23,237	3,004
2030-2034	117,365	15,627

The Company's contributions to the defined benefit pension plans are estimated to be $1.3 million for 2025.

Employee Future Benefits Cost

The Company's employee future benefits cost includes the net benefit costs of its defined benefit, defined contribution and OPEB plans.

The components of net benefit costs associated with the Company's defined benefit pension and OPEB plans, prior to capitalization, are as follows.

	2024		2023	
	Defined Benefit Pension Plans	OPEB Plan	Defined Benefit Pension Plans	OPEB Plan
Service costs	$ 1,838	$ 1,223	$ 2,458	$ 1,515
Interest costs	15,440	2,077	16,862	3,421
Expected return on plan assets	(23,276)	-	(24,643)	-
Amortization of actuarial gains	-	(1,988)	-	(910)
	$ (5,998)	$ 1,312	$ (5,323)	$ 4,026
Regulatory adjustments (Note 7)				
Amortization of pension deferrals	824	-	824	-
Amortization of OPEB regulatory asset	-	3,504	-	3,504
Net benefit cost	$ (5,174)	$ 4,816	$ (4,499)	$ 7,530

During 2024, the Company expensed approximately $3.6 million (2023 - $3.4 million) related to its defined contribution pension plans.

12. Long-term Debt

	Maturity Date	2024	2023
First mortgage sinking fund bonds			
8.900% $40 million Series AH	2026	$ 28,835	$ 29,235
6.800% $50 million Series AI	2028	37,000	37,500
7.520% $75 million Series AJ	2032	58,500	59,250
5.441% $60 million Series AK	2035	48,000	48,600
5.901% $70 million Series AL	2037	57,400	58,100
6.606% $65 million Series AM	2039	54,600	55,250
4.805% $70 million Series AN	2043	62,300	63,000
4.446% $75 million Series AO	2045	67,500	68,250
3.815% $75 million Series AP	2057	69,000	69,750
3.608% $100 million Series AQ	2060	95,000	96,000
4.198% $75 million Series AR	2052	72,750	73,500
5.122% $90 million Series AS	2053	88,200	89,100
Committed credit facility	2029	57,000	32,000
		796,085	779,535
Less: current portion		(65,450)	(40,450)
		$ 730,635	$ 739,085
Less: deferred financing costs		(2,945)	(3,135)
		$ 727,690	$ 735,950

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.

Newfoundland Power has unsecured bank credit facilities of $150 million composed of a $130 million committed credit facility and a $20 million demand facility. In 2024, the committed credit facility was amended to increase the amount from $100 million to $130 million to meet both short and long-term financing requirements. The amendment also extended the maturity date from August 2028 to August 2029. Subject to lenders' approval, the Company may request an extension for a further period of up to, but not exceeding, five years.

Borrowings under the committed credit facility are in the form of Canadian Overnight Repo Rate Average ("CORRA") loans that primarily have a maturity of 30 days or less, bearing interest based on the Term CORRA Reference Rate for the days preceding 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 0.16%. Interest on borrowings under 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.

	2024	2023
Total credit facilities	$ 150,000	$ 120,000
Borrowings under committed credit facility	(57,000)	(32,000)
Borrowings under demand facility	(4,277)	-
Credit facilities available	$ 88,723	$ 88,000

Deferred financing costs are recorded at cost and are amortized to earnings using the effective interest rate method over the life of the related debt.

12. Long-term Debt (cont'd)

Future payments required to meet sinking fund instalments, maturities of long-term debt and long-term credit facilities follow.

Year	($ thousands)
2025	65,450
2026	36,485
2027	8,050
2028	43,050
2029	7,550
Thereafter	635,500

The issuance of debt with a maturity that exceeds one year requires 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 2024, and as at December 31, 2024, the Company was in compliance with all of its debt covenants.

13. 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; and

(b) an unlimited number of First Preference Shares and Second Preference Shares without nominal or par value. 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.

	2024		2023	
Issued and outstanding	Number of Shares	Amount	Number of Shares	Amount
Class A common shares	10,320,270	$ 70,321	10,320,270	$ 70,321

On December 30, 2024, the Company received a $10 million capital contribution from Fortis. No shares were issued in exchange for the contributed capital and there are no set repayment terms.

14. Change in Working Capital

The composition of the Company's change in working capital follows.

	2024	2023
Accounts receivable	$ (369)	$ (12,913)
Income taxes receivable	8,388	(3,182)
Materials and supplies	(169)	(512)
Prepaid expenses	(257)	(660)
Current regulatory assets	824	(16,447)
Accounts payable and accrued charges	4,155	3,921
Interest payable	(25)	1,678
Current regulatory liabilities	3,690	(6,807)
	$ 16,237	$ (34,922)

Non-cash investing activities balances as at December 31 follows.

	2024	2023
Capital expenditures included in accounts payable and accrued charges	$ 17,090	$ 11,135

15. 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 operating expenses in 2024 were $2.1 million (2023 - $2.2 million).

During 2024, the Company borrowed a short-term demand loan from Fortis at an average interest rate of 5.72%. The maximum amount outstanding during 2024 was $30 million. The loan was fully repaid in 2024. Total finance charges paid to Fortis in 2024 were $0.9 million. There were no related-party borrowings from, or finance charges paid to, Fortis in 2023.

16. Fair Value Measurement

Fair value is the price at which a market participant could sell an asset or transfer a liability to an unrelated party. A fair value measurement is required to reflect the assumptions that market participants would use in pricing an asset or a liability based on the best available information. These assumptions include the risks inherent in a particular valuation technique, such as a pricing model, and the risks inherent in the inputs to the model.

The fair value of long-term debt, including current portion and committed credit facility, is classified as Level 2 based on the three level hierarchy utilized in measuring fair value. The fair value 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 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 settlement costs.

The fair value of long-term debt, including current portion and committed credit facility, as at December 31, 2024 and 2023 is as follows.

	2024		2023	
	Carrying Value	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Long-term debt, including current portion and committed credit facility (Note 12)	$ 796,085	$ 848,033	$ 779,535	$ 833,225

The fair value of the Company's defined benefit pension plan assets is discussed in Note 11. The fair value of the Company's remaining financial instruments included in current assets, current liabilities, other assets and other liabilities approximate 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.

17. Segmented Reporting

Newfoundland Power's regulated utility operations constitute its only segment. The Company's chief operating decision maker ("CODM") is the President and Chief Executive Officer. The CODM assesses the Company's performance based on net earnings. Net earnings are reported on the statement of earnings. Total assets, the measure of segment assets, are reported on the balance sheet and capital expenditures are reported on the statement of cash flows.

First Quarter Financial Statements
March 31, 2025

Interim Financial Statements
March 31, 2025

WHENEVER. WHEREVER.
We'll be there.

NEWFOUNDLAND POWER
A FORTIS COMPANY

Condensed Statements of Earnings (Unaudited)

For the three months ended March 31

(in thousands of Canadian dollars, except per share amounts)

	2025	2024
Revenue *(Note 5)*	$ 270,053	$ 262,908
Expenses		
Purchased power	197,162	199,232
Operating expenses	24,421	23,649
Employee future benefits	527	(855)
Depreciation and amortization	21,640	20,782
Cost recovery deferrals, net	125	(60)
Finance charges	10,238	10,425
	254,113	253,173
Earnings Before Income Taxes	15,940	9,735
Income tax expense	3,400	2,040
Net Earnings	12,540	7,695
Net Earnings Applicable to Common Shares	$ 12,540	$ 7,695
Basic and Diluted Earnings per Common Share	$ 1.22	$ 0.75

Condensed Statements of Changes in Shareholder's Equity (Unaudited)

For the three months ended March 31

(in thousands of Canadian dollars, except per share amounts)

	Common Shares	Contributed Capital	Retained Earnings	Total Equity
As at January 1, 2025	$ 70,321	$ 10,000	$ 563,525	**$ 643,846**
Net earnings	-	-	12,540	**12,540**
Allocation of Part VI.1 tax	-	-	200	**200**
Dividends on common shares *(Note 12)* ($0.00 per share)	-	-	-	-
As at March 31, 2025	$ 70,321	$ 10,000	$ 576,265	**$ 656,586**
As at January 1, 2024	$ 70,321	$ -	$ 512,280	**$ 582,601**
Net earnings	-	-	7,695	**7,695**
Allocation of Part VI.1 tax	-	-	190	**190**
Dividends on common shares *(Note 12)* ($0.00 per share)	-	-	-	**-**
As at March 31, 2024	$ 70,321	$ -	$ 520,165	**$ 590,486**

See accompanying notes to condensed interim financial statements.

Condensed Balance Sheets (Unaudited)

As at

(in thousands of Canadian dollars)

	March 31, 2025	December 31, 2024
Assets		
Current assets		
Accounts receivable *(Note 6)*	$ 109,459	$ 83,254
Income taxes receivable	2,858	-
Materials and supplies	3,729	3,577
Prepaid expenses	3,243	4,655
Regulatory assets *(Note 7)*	25,923	50,619
	145,212	142,105
Property, plant and equipment (net)	1,468,197	1,456,079
Intangible assets (net)	66,575	67,309
Defined benefit pension plans	70,071	67,826
Regulatory assets *(Note 7)*	404,657	373,945
Other assets	1,207	1,216
	$ 2,155,919	$ 2,108,480
Liabilities and Shareholder's Equity		
Current liabilities		
Short-term borrowings	$ 3,271	$ 4,277
Accounts payable and accrued charges	106,075	113,340
Interest payable	11,463	8,509
Income taxes payable	-	4,814
Defined benefit pension plans	301	293
Other post-employment benefits	2,888	2,821
Regulatory liabilities *(Note 7)*	2,061	3,592
Current instalments of long-term debt	102,450	65,450
	228,509	203,096
Regulatory liabilities *(Note 7)*	266,290	264,795
Defined benefit pension plans	5,247	5,207
Other post-employment benefits	43,041	43,263
Other liabilities	881	913
Deferred income taxes	227,628	219,670
Long-term debt	727,737	727,690
	1,499,333	1,464,634
Shareholder's equity		
Common shares, no par value, unlimited authorized shares, 10.3 million shares issued and outstanding *(Note 12)*	70,321	70,321
Contributed capital	10,000	10,000
Retained earnings	576,265	563,525
	656,586	643,846
	$ 2,155,919	$ 2,108,480

See accompanying notes to condensed interim financial statements.

Condensed Statements of Cash Flows (Unaudited)

For the three months ended March 31

(in thousands of Canadian dollars)

	2025	2024
Operating Activities		
Net earnings	$ 12,540	$ 7,695
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation of property, plant and equipment	20,004	19,177
Amortization of intangible assets and other	1,696	1,661
Change in long-term regulatory assets and liabilities	(8,700)	(6,904)
Deferred income taxes	3,704	(5,613)
Employee future benefits	(1,185)	(2,315)
Other	21	122
Change in working capital	(27,471)	(35,358)
	609	(21,535)
Investing Activities		
Capital expenditures	(36,268)	(28,261)
Intangible asset expenditures	(902)	(1,299)
Contributions from customers	567	1,176
	(36,603)	(28,384)
Financing Activities		
Change in short-term borrowings	(1,006)	-
Net borrowings under committed credit facility	37,000	19,000
Net borrowings from related parties	-	30,000
	35,994	49,000
Change in Cash	-	(919)
Cash, Beginning of Period	-	3,126
Cash, End of Period	$ -	$ 2,207
Cash Flows Include the Following:		
Interest paid	$ 7,425	$ 7,387
Income taxes paid	$ 7,142	$ 3,001

See accompanying notes to condensed interim financial statements.

Notes to Condensed Interim Financial Statements (Unaudited)
For the Three Months Ended March 31, 2025 and 2024 (unless otherwise noted)

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 serves approximately 278,000 customers comprising approximately 87% of all electricity consumers in the Province. All of the common shares of the Company are owned by Fortis Inc. ("Fortis"). Newfoundland Power has an installed generating capacity of 145 megawatts ("MW"), of which approximately 98 MW is hydroelectric generation. It generates approximately 7% of its energy needs and purchases the remainder from Newfoundland and Labrador Hydro ("Hydro").

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 to an opportunity to recover, through customer rates, all reasonable 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.

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 include generation, transmission and distribution services.

Newfoundland Power maintains a capital structure comprised of approximately 55% debt and 45% common equity.

On January 16, 2025, the PUB issued orders approving the Company's and Hydro's applications to establish a new wholesale rate effective January 1, 2025. The order approved: (i) flowing through the impacts of the revised wholesale rate on the Company's 2025 and 2026 test year revenue requirements as part of its 2025/2026 General Rate Application (the "2025/2026 GRA"); and (ii) rebasing power supply costs into base rate test year revenue requirements.

On January 16, 2025, the PUB also issued an order on the Company's 2025/2026 GRA which established the Company's cost of capital for ratemaking purposes for 2025 through 2027 based upon an 8.6% return on equity and 45% common equity. The PUB directed the Company to file a compliance application reflecting the settlement agreements reached in relation to the 2025/2026 GRA, the 2025/2026 GRA order and other applicable orders, including the flow-through of impacts associated with the revised wholesale rate from Hydro and the annual July 1st rate stabilization adjustment. The Company is required to file its next general rate application on or before June 1, 2027.

On April 17, 2025, Newfoundland Power filed its compliance application as directed by the PUB. The application proposes an overall average increase in customer rates effective July 1, 2025 of approximately 7.0%. This is comprised of: (i) 8.5% resulting from the Company's 2025/2026 GRA, including a 4.0% increase associated with the rebasing of supply costs; (ii) 2.3% resulting from Hydro's wholesale rate adjustments; and (iii) a decrease of 3.8% largely resulting from a reduction in Newfoundland Power's rate stabilization adjustment. The compliance application proposes that the unrecovered balance in the Company's Rate Stabilization Account ("RSA") be maintained in the account for future recovery in customer rates. The application is currently under review by the PUB.

2. Basis of Presentation

These condensed interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial statements and do not include all of the disclosures provided in the annual audited financial statements. These condensed interim financial statements should be read in conjunction with the Company's 2024 annual audited financial statements.

The preparation of financial statements in accordance with U.S. 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 revenues and expenses during the reporting periods. There were no material changes to the Company's significant accounting estimates during the three months ended March 31, 2025. The accounting policies and methods of their application followed in the preparation of these condensed interim financial statements are the same as those followed in the preparation of the Company's 2024 annual audited financial statements.

3. Changes in Accounting Policies

Future Accounting Pronouncements

The Company considers the applicability and impact of all accounting standards updates ("ASUs") issued by the Financial Accounting Standards Board ("FASB"). The following update has been issued by the FASB, but has not yet been adopted by Newfoundland Power. Any ASUs not included below were assessed and determined to be either not applicable to the Company or are not expected to have a material impact on the financial statements.

Income Statement Expenses

ASU No. 2024-03, *Disaggregation of Income Statement Expenses*, issued in November 2024, is effective for Newfoundland Power on January 1, 2027 for annual periods and on January 1, 2028 for interim periods, on a prospective basis, with retrospective application and early adoption permitted. The ASU requires disclosure of specified information about certain costs and expenses. ASU No. 2025-01, *Clarifying the Effective Date*, issued in January 2025, clarified the effective date of ASU No. 2024-03. Newfoundland Power is assessing the impact that the adoption of these updates will have on its financial statements and related disclosures.

4. Seasonality

Sales and Revenue: Quarterly sales and revenue are impacted by the seasonality of electricity sales for heating. As a result, sales and revenue are higher in the first quarter and lower in the third quarter compared to the remaining quarters. Quarterly revenue may also be impacted by regulatory deferrals and amortizations, as approved by the PUB.

Earnings: In addition to the seasonality of electricity consumption for heating, quarterly earnings are impacted by the purchased power rate structure. Effective January 1, 2025, a new purchased power rate structure was in place for the Company. 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. In general, the Company's sales, revenue and cost dynamics are such that earnings are lower in the first quarter than in the remaining quarters in the year. However, the implementation of the 2025/2026 GRA and related revenue shortfall will change the timing of quarterly earnings in 2025.

5. Revenue

The composition of the Company's revenue follows.

	Three Months Ended March 31	
	2025	**2024**
Electricity revenue		
Residential	$ 166,372	$ 167,065
Commercial	76,351	76,875
Street lighting	4,083	4,094
Regulatory deferrals and amortizations	18,550	10,637
	265,356	258,671
Other contract revenue	2,640	2,675
Other revenue	2,057	1,562
Total revenue	$ 270,053	$ 262,908

Electricity revenue
Electricity revenue includes revenue from the delivery of electricity to residential and commercial customers and the provision of street lighting service to municipalities.

Other contract revenue
Other contract revenue is primarily the result of other contracts with customers including: (i) revenue from telecommunication companies for pole attachments and other pole-related services; (ii) wheeling revenue from Hydro for transmitting electricity to its customers using Newfoundland Power's electrical system; and (iii) revenue from customers for services other than those directly related to delivery of electricity service.

Other revenue
Other revenue includes interest revenue, the equity portion of allowance for funds used during construction and other miscellaneous amounts.

6. Accounts Receivable

The composition of the Company's accounts receivable follows.

	March 31, 2025	December 31, 2024
Trade accounts receivable	$ 90,181	$ 56,608
Unbilled accounts receivable	21,897	29,984
Other	1,966	706
Allowance for credit losses	(4,585)	(4,044)
	$ 109,459	$ 83,254

Accounts receivable is recorded net of an allowance for credit losses. The change in the allowance for credit losses balance from December 31, 2024 and December 31, 2023 follows.

	Three Months Ended March 31	
	2025	2024
Balance, beginning of period	$ (4,044)	$ (3,876)
Credit loss expense	(692)	(523)
Write-offs	359	626
Recoveries	(208)	(315)
Balance, end of period	$ (4,585)	$ (4,088)

7. 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, credited to customers through the rate-setting process. The 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. The Company's regulatory assets and liabilities which will be, or are expected to be, reflected in customer rates in future periods, follow.

	March 31, 2025	December 31, 2024	Remaining Recovery Period (Years)
Regulatory assets			
RSA[1]	$ 70,375	$ 79,787	Various
Other post-employment benefits ("OPEB")	2,628	3,504	1
Conservation and demand management deferral	26,418	30,398	10
Employee future benefits	38,597	40,455	Benefit payment period
Deferred hearing costs	1,000	1,248	3
2025 revenue shortfall[2]	18,494	-	3
Electrification deferral	2,368	2,503	10
Load research and rate design cost deferral	965	908	N/A
Pension capitalization deferral	1,586	1,711	3
OPEB expense variance deferral account	2,053	-	1
Demand management incentive ("DMI")	-	2,208	N/A
Deferred income taxes	266,096	261,842	Life of related assets
Total regulatory assets	$ 430,580	$ 424,564	
Less: current portion	(25,923)	(50,619)	
Long-term regulatory assets	$ 404,657	$ 373,945	

[1] As part of the Company's compliance application, Newfoundland Power is proposing that the unrecovered balance in the RSA be maintained in the account for the future recovery in customer rates (Note 1). The application is under review by the PUB.

[2] As approved in the 2025/2026 GRA order, the Company recorded a $18.5 million revenue shortfall in the first quarter of 2025. The revenue shortfall will be amortized over a 30-month period from July 1, 2025 to December 31, 2027.

7. Regulatory Assets and Liabilities (cont'd)

	March 31, 2025	December 31, 2024	Remaining Settlement Period (Years)
Regulatory liabilities			
Weather normalization account	$ 487	$ 4,137	2
Energy supply cost variance	686	-	2
Pension expense variance deferral account	149	-	1
Employee future benefits	43,243	43,728	Benefit payment period
Future removal and site restoration provision	223,786	220,522	Life of related assets
Total regulatory liabilities	$ 268,351	$ 268,387	
Less: current portion	(2,061)	(3,592)	
Long-term regulatory liabilities	$ 266,290	$ 264,795	

8. Long-Term Debt

	March 31, 2025	December 31, 2024
First mortgage sinking fund bonds	$ 739,085	$ 739,085
Committed credit facility	94,000	57,000
	833,085	796,085
Less: current portion	(102,450)	(65,450)
	$ 730,635	$ 730,635
Less: deferred financing costs	(2,898)	(2,945)
	$ 727,737	$ 727,690

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. The bonds require an annual sinking fund payment of 1% of the original principal balance.

Newfoundland Power has unsecured bank credit facilities of $150 million composed of a $130 million committed credit facility and a $20 million demand facility. The committed facility matures in August 2029. Subject to lenders' approval, the Company may request an extension for a further period of up to, but not exceeding, five years.

Borrowings under the committed credit facility are in the form of Canadian Overnight Repo Rate Average ("CORRA") loans that primarily have a maturity of 30 days or less, bearing interest based on the Term CORRA Reference Rate for the days preceding 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 0.16%. Interest on borrowings under the demand facility is calculated at the daily prime rate and is payable monthly in arrears.

The utilized and unutilized credit facilities as at March 31, 2025 and December 31, 2024 follow.

	March 31, 2025	December 31, 2024
Total credit facilities	$ 150,000	$ 150,000
Borrowings under committed credit facility	(94,000)	(57,000)
Borrowings under demand facility	(3,271)	(4,277)
Credit facilities available	$ 52,729	$ 88,723

9. Fair Value Measurement

Fair value is the price at which a market participant could sell an asset or transfer a liability to an unrelated party. A fair value measurement is required to reflect the assumptions that market participants would use in pricing an asset or a liability based on the best available information. These assumptions include the risks inherent in a particular valuation technique, such as a pricing model, and the risks inherent in the inputs to the model.

The fair value of long-term debt, including current portion and committed credit facility, is classified as Level 2 based on the three-level hierarchy utilized in measuring fair value. The fair value 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 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 settlement costs.

The fair value of long-term debt, including current portion and committed credit facility, as at March 31, 2025 and December 31, 2024 is as follows.

	March 31, 2025		December 31, 2024	
	Carrying Value	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Long-Term Debt, including Current Portion and Committed Credit Facility *(Note 8)*	$ 833,085	$ 882,415	$ 796,085	$ 848,033

As at March 31, 2025, the fair value of the Company's funded defined benefit pension plan assets was $401.3 million compared to $400.9 million as at December 31, 2024. The fair value measurements for all of the pension plan assets, as held in various pooled funds, are classified as Level 2.

The fair value of the Company's remaining financial instruments included in current assets, current liabilities, other assets and other liabilities approximate 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 matter of judgment, and therefore, may not be relevant in predicting the Company's future earnings or cash flows.

10. Employee Future Benefits

The components of net benefit costs associated with the Company's defined benefit and OPEB plans, prior to capitalization, are as follows.

	Three Months Ended March 31			
	2025		2024	
	Defined Benefit Pension Plans	**OPEB Plan**	**Defined Benefit Pension Plans**	**OPEB Plan**
Service costs	$ 336	$ 310	$ 449	$ 306
Interest costs	3,854	525	3,860	519
Expected return on plan assets	(5,177)	-	(5,819)	-
Amortization of net actuarial loss (gain)	726	(484)	-	(497)
	$ (261)	$ 351	$ (1,510)	$ 328
Regulatory adjustments				
Amortization of pension deferrals	206	-	206	-
Amortization of OPEB regulatory asset	-	876	-	876
Net benefit costs	$ (55)	$ 1,227	$ (1,304)	$ 1,204

For the three months ended March 31, 2025, the Company expensed $0.9 million (2024 - $0.8 million) related to its defined contribution pension plans.

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. These transactions are in the normal course of business and are recorded at their exchange amounts.

Related party transactions included in operating expenses for the three months ended March 31, 2025 were $0.5 million (2024 - $0.6 million).

There were no related-party borrowings from, or finance charges paid to, Fortis in the first quarter of 2025.

12. Capital Stock and Dividends

During the first quarter of 2025 and 2024, the weighted average number of common shares outstanding was 10,320,270. The Company did not declare or pay common share dividends during the first quarter of 2025 and 2024.

Annual Management Discussion and Analysis

December 31, 2024

2024 Management Discussion & Analysis

WHENEVER. WHEREVER.
We'll be there.

NEWFOUNDLAND POWER
A FORTIS COMPANY

MANAGEMENT DISCUSSION AND ANALYSIS

Dated February 13, 2025

The following Management Discussion and Analysis ("MD&A") should be read in conjunction with the Company's annual audited financial statements and notes thereto for the year ended December 31, 2024. This MD&A has been prepared in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. Financial information for 2024 and comparative periods contained herein reflects Canadian dollars and accounting principles generally accepted in the United States ("U.S. GAAP").

FORWARD-LOOKING INFORMATION

Certain information in this MD&A is forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information reflects expectations of Newfoundland Power management regarding future growth, results of operations, performance and opportunities. Wherever possible, words such as "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and the negative of these terms and other similar terminology have been used to identify forward-looking information.

The forward-looking information in this MD&A includes, but is not limited to, statements regarding: the expectation that there will be no material changes in annual cash flow or financing dynamics; the expectation that sufficient cash will be generated from operations to meet pension funding requirements; the expectation that the Company will maintain investment grade credit ratings in 2025; the expectation that upcoming accounting standards updates will not have a material impact on the Company's financial statements; the expectation that growth in the Company's number of customers will be modest; the expectation that trends in future sales are expected to be comparable with recent years; and the expectation that future earnings and earnings per share are expected to trend with the return on equity reflected in customer rates and rate base growth.

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; 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 or environmental laws; the ability to obtain and maintain insurance coverage, licenses and permits; the ability to renew collective bargaining agreements on acceptable terms; and sufficient human resources to deliver service and execute the capital program.

A number of factors could cause actual results to differ materially from the results discussed or implied in the forward-looking information. These factors should be considered carefully and undue reliance should not be placed on the forward-looking information. Risk factors which could cause results or events to differ from current expectations are detailed under the heading "Business Risk Management" in this MD&A, and in other continuous disclosure materials filed from time to time with Canadian securities regulatory authorities. These risk factors include, but are not limited to: regulation; energy supply; purchased power costs; economic conditions; health and safety; cybersecurity; climate change and weather; environment; capital resources and liquidity; interest rates; labour relations; political environment; human resources; operating and maintenance; information technology infrastructure; insurance; defined benefit pension plan performance; legal, administrative and other proceedings; and continued reporting in accordance with U.S. GAAP.

All forward-looking information in this MD&A is given as of the date of this MD&A 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.

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 Newfoundland and Labrador. The Company is a wholly owned subsidiary of Fortis Inc. ("Fortis"). Fortis is a well-diversified leader in the North American regulated electric and gas utility industry, serving customers across Canada and in the United States and the Caribbean.

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 approximately 277,000 customers, comprising 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 a sustainable 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 an opportunity to recover, through customer rates, all reasonable 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.

As authorized by the PUB, Newfoundland Power maintains a capital structure comprised of approximately 55% debt and 45% common equity. The Company's cost of capital for ratemaking purposes through 2024 is based upon an 8.5% return on equity.

On June 12, 2024, the Company filed an application with the PUB proposing a 9.3% increase in customer electricity rates effective July 1, 2024. This was the result of: (i) a 7.0% increase due to the Company's RSA, largely reflecting additional power supply costs incurred and paid to Hydro in 2023; and (ii) a 2.3% increase from Hydro due to updated wholesale rate adjustments associated with the Government of Newfoundland and Labrador's rate mitigation plan announced in May 2024. On July 10, 2024, the PUB issued an order approving recovery of a portion of the RSA balance that provided for an overall average increase in customer electricity rates of approximately 7.0% effective August 1, 2024. The order directed that the remaining portion of Newfoundland Power's RSA balance as at March 31, 2024 of approximately $18.8 million be maintained in the RSA. The August 1, 2024 customer rate change did not have a material impact on Newfoundland Power's annual earnings.

On October 15, 2024, the PUB issued an order on the Company's 2024 Rate of Return on Rate Base Application (the "2024 RORB Application"). The order approved: (i) a 2024 regulated rate of return on rate base of 6.67%, with a range of ±18 basis points; (ii) a 2024 forecast average rate base of $1,362.8 million; (iii) deferred cost recovery of a 2024 revenue shortfall of $9.0 million, with transfer of the amount to the Company's Rate Stabilization Account ("RSA") on December 31, 2024; and (iv) transfer of the balance in the Company's Excess Earnings Account as of December 31, 2023 of $5.4 million to the RSA on December 31, 2024. The impact of the order was recognized in the fourth quarter of 2024.

On December 13, 2024, the PUB issued an order approving $128.0 million in capital expenditures for 2025. Approximately 50% of the capital expenditures relate to maintenance of the electricity system.

On January 16, 2025, the PUB issued orders approving the Company's and Hydro's applications to establish a new wholesale rate effective January 1, 2025. The order approved: (i) flowing through the impacts of the revised wholesale rate on the Company's 2025 and 2026 test year revenue requirements as part of its 2025/2026 General Rate Application (the "2025/2026 GRA"); and (ii) rebasing power supply costs into base rate test year revenue requirements.

On January 16, 2025, the PUB also issued an order on the Company's 2025/2026 GRA which established the Company's cost of capital for ratemaking purposes for 2025 through 2027 based upon an 8.6% return on equity and 45% common equity. The PUB directed the Company to file a compliance application reflecting the settlement agreements reach in relation to its 2025/2026 GRA, the 2025/2026 GRA order and other applicable orders, including the flow-through impacts associated with the revised wholesale rate from Hydro and the annual July 1st RSA. Customer rate impacts effective July 1, 2025 will be determined following the PUB's review of the Company's compliance application. The Company is required to file its next general rate application on or before June 1, 2027.

Financial Highlights

	2024	2023	Change
Electricity Sales *(gigawatt hours ("GWh"))*[1]	5,926.2	5,927.9	(1.7)
Earnings Applicable to Common Shares			
$ Millions	50.6	46.0	4.6
$ Per Share	4.90	4.46	0.44
Cash Flow from Operating Activities *($millions)*	102.7	63.8	38.9
Total Assets *($millions)*	2,108.5	1,994.9	113.6

1 *Reflects normalized electricity sales.*

Electricity sales for 2024 were comparable to 2023, reflecting customer growth of 0.7% offset by a 0.7% lower average consumption by residential and commercial customers.

Earnings increased by $4.6 million, from $46.0 million in 2023 to $50.6 million in 2024. The increase in earnings primarily reflects rate base growth and the impact of the 2024 RORB order and higher other revenue, partially offset by higher depreciation and an increase in finance charges and operating expenses.

Cash from operating activities increased by $38.9 million compared to 2023. The increase primarily reflects changes in working capital, partially offset by an increase in current income taxes.

Total assets increased by $113.6 million compared to December 31, 2023. The increase primarily reflects continued investment in the electricity system and an increase in regulatory assets associated with PUB-approved regulatory mechanisms.

RESULTS OF OPERATIONS

Revenue

($millions)	2024	2023	Change
Electricity Revenue[1]	770.3	759.5	10.8
Other Revenue[2]	18.6	14.4	4.2
Total Revenue	788.9	773.9	15.0

[1] *Electricity revenue includes regulatory deferrals and amortizations recognized pursuant to PUB orders of approximately $39.7 million for 2024 (2023 - $28.4 million). The amounts are recorded in accordance with PUB orders and are described in Note 7 to the Company's 2024 annual audited financial statements.*

[2] *Other revenue includes revenue from telecommunication companies, interest revenue associated with customer accounts and other miscellaneous amounts.*

Electricity revenue increased by $10.8 million compared to 2023. The increase primarily reflects changes in regulatory deferrals and amortizations.

Regulatory deferrals and amortizations include the energy supply cost variance, revenue shortfall for 2024, pension expense variance deferral ("PEVDA"), other post-employment benefits ("OPEB") cost variance deferral, the amortization of annual customer energy conservation program costs and excess earnings for 2023. These regulatory mechanisms are described in Note 7 to the Company's 2024 annual audited financial statements.

Other revenue increased by $4.2 million compared to 2023. The increase primarily reflects higher interest on the Company's RSA balance and higher revenue from telecommunications companies, partially offset by lower revenue from third-party provisioning services.

Purchased Power: Purchased power expense for 2024 was $1.8 million lower than 2023. The decrease primarily reflects changes in production at the Company's hydroelectric generating facilities and lower electricity system losses.

Operating Expenses: Operating expenses for 2024 were $4.8 million higher than 2023. The increase was primarily due to higher contract expenses associated with services provided to telecommunications companies, inflationary increases in labour costs and higher computer equipment and software costs.

Employee Future Benefits: Employee future benefits for 2024 were $2.5 million lower than 2023. The decrease was primarily due to lower interest costs and amortization of a higher net actuarial gain for the Company's OPEB plan resulting from the Company's OPEB actuarial valuation as at December 31, 2023.

Depreciation and Amortization: Depreciation and amortization expense for 2024 was $4.7 million higher than 2023. The increase reflects the Company's continued investment in the electricity system.

Cost Recovery Deferrals, Net: Cost recovery deferrals for 2024 were $0.6 million higher than 2023. The increase primarily reflects the amortization of deferred pension capitalization costs, as approved by the PUB.

Finance Charges: Finance charges for 2024 were $4.0 million higher than 2023. The increase primarily reflects higher interest on long-term debt and the Company's credit facilities.

Income Taxes: Income tax expense for 2024 was $0.7 million higher than 2023. The increase primarily reflects an increase in earnings before tax, partially offset by a lower effective tax rate.

FINANCIAL POSITION

Explanations of the primary causes of significant changes in the Company's balance sheets between December 31, 2023 and December 31, 2024 follow.

($millions)	Increase (Decrease)	Explanation
Regulatory Assets, including Current Portion	31.3	Increase due to operation of the Company's approved regulatory accounts. See Note 7 to the Company's 2024 annual audited financial statements.
Property, Plant and Equipment	66.7	Increase due to investment in the electricity system, in accordance with the 2024 capital expenditure program, partially offset by depreciation and customer contributions in aid of construction.
Defined Benefit Pension Plans	20.3	Increase in funded status due to higher than expected returns on plan assets. See Note 11 to the Company's 2024 annual audited financial statements.
Long-Term Debt, including Current Portion	16.7	Increase primarily reflects borrowings on the Company's committed credit facility required to finance ongoing operating activities and capital expenditures.
Retained Earnings	51.2	Earnings in excess of dividends; retained to finance rate base growth and ongoing operating activities.

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 2024 and 2023 follows.

($millions)	2024	2023	Change
Cash, Beginning of Year	3.1	-	3.1
Operating Activities	102.7	63.8	38.9
Investing Activities	(136.5)	(145.0)	8.5
Financing Activities	30.7	84.3	(53.6)
Cash, End of Year	-	3.1	(3.1)

Operating Activities

Cash from operating activities increased by $38.9 million compared to 2023. The increase primarily reflects changes in working capital, partially offset by an increase in current income taxes.

Investing Activities

Cash used in investing activities decreased by $8.5 million compared to 2023. The decrease primarily reflects lower intangible asset expenditures, partially offset by higher capital asset expenditures and lower contributions from customers.

A summary of 2024 and 2023 capital and intangible asset expenditures follows.

($millions)	**2024**	**2023**
Electricity System		
Generation	6.3	8.7
Transmission	13.1	12.2
Substations	22.6	20.2
Distribution	69.8	57.6
Other	19.5	28.1
Intangible Assets	7.7	23.4
Capital and Intangible Asset Expenditures	139.0	150.2

The Company's business is capital intensive. Capital investment is required to ensure safe, reliable electrical system performance and to meet customer growth. All costs considered to be repairs and maintenance are expensed as incurred. Capital investment is also required for information technology systems, general facilities, equipment, and vehicles. Capital expenditures, 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.

Financing Activities

Cash provided by financing activities decreased by $53.6 million compared to 2023. The decrease was primarily due to the issuance of first mortgage sinking fund bonds in the third quarter of 2023, partially offset by higher net borrowings on the Company's credit facility and a capital contribution from Fortis in the fourth quarter of 2024.

The Company has historically generated sufficient annual cash flows from operating activities to service annual interest and sinking fund payments on debt, fund pension obligations, pay dividends and finance a major portion of its annual capital program. Due to the operation of the Company's energy supply cost variance account and the current purchased power rate structure, the Company is financing additional purchased power costs until they are recovered from customers. As at December 31, 2024, additional purchased power costs incurred in 2023 and 2024 total approximately $57.8 million. Recovery from customers of a portion of the 2023 energy supply cost variance began effective August 1, 2024 as a result of the annual operation of the Company's RSA. See the "Regulation" and "Outlook" sections of this MD&A.

Additional financing to fund the annual capital program is primarily obtained through the Company's bank credit facilities. These borrowings are periodically refinanced, along with any maturing bonds, through the issuance of long-term first mortgage sinking fund bonds. The issuance of bonds is subject to prior PUB approval and to a mortgage trust deed requirement that 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, be two times or higher.

Credit Facilities: The Company's credit facilities are comprised of a $130 million committed revolving term credit facility and a $20 million demand facility as detailed below.

($millions)	**2024**	**2023**
Total Credit Facilities	150.0	120.0
Borrowing, Committed Facility	(57.0)	(32.0)
Borrowing, Demand Facility	(4.3)	-
Credit Facilities Available	88.7	88.0

In 2024, the committed credit facility was amended to increase the amount from $100 million to $130 million to meet both short and long-term financing requirements. The amendment also extended the maturity date of the committed credit facility from August 2028 to August 2029. Subject to lenders' approval, the Company may request an extension for a further period of up to, but not exceeding, five years.

Pensions: As at December 31, 2024, the fair value of the Company's funded defined benefit pension plan assets was $400.9 million compared to $388.2 million as at December 31, 2023. The $12.7 million increase in fair value was primarily due to favourable market conditions in 2024. Details of the plan asset changes are included in Note 11 to the Company's 2024 annual audited financial statements.

The latest actuarial valuation of the Company's defined benefit pension plan for funding purposes was as at December 31, 2022. Based on the most recent actuarial valuation, contributions for current service amounts are estimated to average $1.0 million annually for 2025 and 2026. The Company expects to have sufficient cash generated from operations to meet future pension funding requirements.

Contractual Obligations: Details, as at December 31, 2024, of 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)	61.3	61.3	-	-	-
First Mortgage Sinking Fund Bonds[1]	739.1	8.5	44.5	50.6	635.5
Interest Obligations on Long-Term Debt	618.2	38.5	71.8	66.4	441.5
Total	1,418.6	108.3	116.3	117.0	1,077.0

[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, 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 endeavors to maintain its investment grade credit ratings. Details of the Company's investment grade bond ratings follow.

	2024		2023	
Rating Agency	**Rating**	**Outlook**	**Rating**	**Outlook**
Moody's Investors Service ("Moody's")	A2	Negative	A2	Stable
Morningstar DBRS ("DBRS")	A	Stable	A	Stable

During the fourth quarter of 2024, DBRS affirmed the Company's existing bond rating and rating outlook.

During the fourth quarter of 2024, Moody's also affirmed the Company's existing bond rating. However, Moody's changed its rating outlook for the Company from stable to negative to reflect delays in cost recovery that have adversely impacted the Company's credit profile and financial metrics.

Newfoundland Power maintains an average annual capital structure of approximately 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 follows.

	2024		2023	
	$millions	**%**	**$millions**	**%**
Total Debt[1]	797.3	55.3	773.2	57.0
Common Equity[2]	643.8	44.7	582.6	43.0
Total	1,441.1	100.0	1,355.8	100.0

[1] *Includes long-term debt, net of deferred financing costs, unamortized credit facility costs and cash. Total also includes bank indebtedness, current portion of long-term debt, credit facility borrowings and related-party borrowings.*
[2] *Includes common shares issued and outstanding, contributed capital and retained earnings.*

On December 30, 2024, the Company received a $10 million capital contribution from Fortis. No shares were issued in exchange for the contributed capital and there are no set repayment terms.

The Company expects to maintain its investment grade credit ratings in 2025.

Capital Stock and Dividends: In both 2024 and 2023, the weighted average number of common shares outstanding was 10,320,270. The Company did not declare or pay common share dividends during 2024, compared to $0.71 per share in 2023. As a result, dividends on common shares for 2024 were $7.3 million lower than 2023. This is consistent with the Company's common share dividend policy to maintain a capital structure composed of approximately 55% debt and 45% common equity.

As of the date of this MD&A, the issued and outstanding capital of the Company consisted of 10,320,270 common shares, all of which were held by Fortis.

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 operating expenses in 2024 were $2.1 million (2023 - $2.2 million).

During 2024, the Company borrowed a short-term demand loan from Fortis at an average interest rate of 5.72%. The maximum amount outstanding in 2024 was $30 million. The loan was fully repaid in 2024. Total finance charges paid to Fortis in 2024 were $0.9 million. There were no related-party borrowings from, or finance charges paid to, Fortis in 2023.

FINANCIAL INSTRUMENTS

The carrying values of financial instruments included in current assets, current liabilities, other assets, and other 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 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 settlement costs.

The carrying and estimated fair values of the Company's long-term debt follow.

	2024		2023	
($millions)	**Carrying Value**	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Long-Term Debt, including Current Portion and Committed Credit Facility	796.1	848.0	779.5	833.2

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 rate of return depends on achieving the forecasts established in the rate setting process. There is no assurance that rate orders issued by the PUB will permit the Company to recover the estimated costs of providing electricity service on a timely basis. 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.

The Company is also dependent on PUB approval of its annual capital budget. Capital expenditures are necessary to provide safe, reliable and least cost service to customers. A failure to obtain approval of its capital budget application may negatively impact operations and the financial position of the Company.

Energy Supply: Newfoundland Power purchases approximately 93% of its electricity requirements from Hydro. In the event that Hydro is unable to supply the Company with wholesale energy deliveries, Newfoundland Power would be unable to meet its customers' requirements.

Energy from Hydro's $13.5 billion Muskrat Falls hydroelectric generation development and associated transmission assets (the "Muskrat Falls project") supplies a significant portion of Hydro's, and in turn Newfoundland Power's, electricity requirements. While it was fully commissioned and released for service in 2023, the reliability of supply from the Muskrat Falls project remains uncertain and is under review by the PUB. In 2024, Hydro indicated that its 490-megawatt Holyrood Thermal Generating Station will remain in service as backup generation to support the Labrador-Island Link ("LIL") until new sources of generation are available. Supply adequacy and reliability of the province's electrical system continues to be under review by the PUB.

Purchased Power Costs: The Government of Newfoundland and Labrador announced the finalization of its rate mitigation plan (the "Rate Mitigation Plan") in May 2024. The Rate Mitigation Plan came into effect on July 1, 2024, and limits annual domestic customer rate increases associated with the Muskrat Falls project and Hydro's operations to 2.25% until 2030. The Rate Mitigation Plan requires a $2 billion investment by Hydro to mitigate customer rates over the next six years. The annual 2.25% customer rate increases stipulated by the Rate Mitigation Plan are largely consistent with the Provincial Government's previously announced plans to mitigate customer rates from the costs of the Muskrat Falls project.

The finalization of the Rate Mitigation Plan provides a level of certainty around customer rate increases due to the Muskrat Falls project and Hydro for a six-year period starting in 2024. However, it does not contemplate rate mitigation or customer rates beyond 2030. As such, the impact of the Muskrat Falls project on customer rates beyond 2030 remains uncertain.

The Rate Mitigation Plan does not include any additional costs associated with extending the life of the Holyrood Thermal Generating Station or the construction of additional backup generating capacity on the island of Newfoundland. These requirements could further increase supply costs and, in turn, increase electricity rates for the Company's customers.

Increases in electricity rates can cause changes in customer electricity consumption, which could negatively impact the Company's sales and, therefore, earnings and cash flows.

Economic Conditions: Economic conditions impact the Company's operations, including electricity sales, supply chain, cost of capital and the performance of the defined benefit pension plan.

Electricity sales are influenced by economic factors such as changes in employment levels, inflation, personal disposable income and housing starts. A downturn in oil prices negatively impacts the Government of Newfoundland and Labrador's fiscal capacity as well as the broader economy. 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.

The Company's ability to deliver safe and reliable electricity in a cost-effective manner is dependent on its supply chain and ability to secure materials needed for continued investment in the electricity system. Domestic and global supply chain issues may delay the delivery of goods necessary to support normal operations and continued investment in the electricity system and may also increase the cost of those materials. Any delays and increased costs could have a material adverse effect on the results of operations, cash flows and financial position of the Company.

For a description of the impact of economic conditions on pensions and cost of capital, see "Interest Rates" on page 10 and "Defined Benefit Pension Plan Performance" on page 11.

Health and Safety: The operations of the Company inherently involve risk to the health and safety of employees, contractors and the public. Personal injury or loss of life could result from failure to implement or observe appropriate health and safety procedures and could give rise to operational, reputational or financial impacts. In addition, failure to comply with health and safety regulations could result in fines, penalties, reputational damage, litigation, increased capital and operating costs or adverse regulatory outcomes. 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.

The Company maintains a health and safety management system which complies with International Organization for Standardization ("ISO") standard 45001. Continuing to meet this standard improves the Company's ability to capture and track information related to safe work practices and hazard recognition, and enhances safety management.

Cybersecurity: The Company is exposed to the risk of cybersecurity violations. Unauthorized access to corporate and information technology systems due to hacking, viruses and other causes could result in service disruptions and system failures. Due to the nature of its operations, the Company maintains personal information of customers and employees, which could be exposed in the event of a security breach.

Information technology systems, including those of the Company's third-party service providers, may be vulnerable to unauthorized access or disruption due to cyber and other attacks, including hacking, malware, acts of war or terrorism, and acts of vandalism, among others. Further, geopolitical conflicts may further increase the sophistication, magnitude or frequency of cyberattacks, some of which may be initiated by nation state actors.

Newfoundland Power maintains a Cybersecurity Risk Management Program, which guides the Company's response to managing its cybersecurity risk. Despite implemented security measures and controls to protect corporate and information technology systems and safeguard the confidentiality of customer information, a security breach could occur. This could potentially result in disruption of service and other business operations, property damage, corruption or unavailability or the misappropriation or disclosure of sensitive, confidential and proprietary business information or personal information of customers or employees. These could impact the Company's results if the situation is not resolved in a timely manner, or the financial impacts are not alleviated through insurance policies or through recovery from customers in future rates.

Climate Change and Weather: Climate change may lead to more frequent and intense weather events, changing air temperatures and changing seasonal variations that may impact the Company's service territory. These climate changes may impact the consumption pattern of electricity by the Company's customers, which in turn could have an impact on customer rates. These climate changes may also impact the Company's ability to provide safe, reliable, least-cost electricity to customers.

The physical assets of the Company are exposed to the effects of severe weather conditions and other acts of nature. Although the physical assets are 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 disaster, the Company could apply to the PUB for recovery of those costs. However, there is no assurance that the PUB would approve any such application. Any major damage to the Company's facilities could result in loss of revenue, 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 or financial position.

Weather-related events due to climate change could affect the Company's operations and systems. Responding to changes in weather events could lead to increased costs associated with the strengthening of infrastructure to ensure system reliability and resiliency, which in turn could have an impact on customer rates. An increase in the severity and frequency of weather-related events could impact future operating, maintenance, replacement, expansion and removal costs that will be incurred in the ongoing operation of its business.

The Company may also be adversely impacted by policy decisions, legal risks, technological changes and market changes as governments and customers take action to address climate change. Failure to respond to these transitional risks in an appropriate manner may adversely impact the Company's ability to provide safe, reliable, least-cost electricity to customers, which could cause reputational harm and other negative impacts. The availability of regulatory mechanisms or the ability of the Company to pass related costs on to customers with respect to its climate change response remains uncertain.

Environment: The Company is subject to numerous laws, regulations and guidelines relating to the protection of the environment including those governing the management, transportation and disposal of hazardous substances and other waste materials. Environmental damage and associated costs could potentially arise due to a variety of events, including the impact of severe weather and other natural disasters, climate change, 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.

The Company's key environmental hazard relates to risks of contamination of air, soil or water primarily relating to the storage and handling of fuel, the use and disposal of petroleum-based products, including transformer oils containing polychlorinated biphenyls, in the day-to-day operating and maintenance activities, and emissions from the combustion of fuel required in the generation of electricity.

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 Company may be liable for costs and third-party claims if its facilities cause a fire. The Company's facilities are also subject to breakdown or damage from fire, floods or other natural disasters, that may result in lower-than-expected operational efficiency or performance, and service disruption.

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.

The Company has established an environmental management system ("EMS") to monitor environmental performance. The Company's EMS is compliant with the ISO 14001:2015 standard. As at December 31, 2024, there were no environmental liabilities recorded in the Company's 2024 annual audited financial statements and there were no material unrecorded environmental liabilities known to management.

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 is 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, credit 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 decrease in credit ratings could affect access to various sources of capital and increase the Company's financing costs.

The Company has been successful at securing cost-effective capital and expects to have reasonable access to capital in the near to medium term. 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.

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.

Labour Relations: Approximately 53% of the Company's employees are members of the two bargaining units, the Craft unit and the Clerical unit, represented by the International Brotherhood of Electrical Workers labour union (the "IBEW"). A collective agreement between the Company and IBEW for the Clerical bargaining unit was signed in 2023 with an expiry date of December 31, 2026. The Craft bargaining unit collective agreement expired on June 30, 2022. A tentative collective agreement for the Craft bargaining unit was reached between the Company and IBEW in February 2025, subject to ratification by Craft employees.

The *Electrical Power Control Act, 1994* (Newfoundland and Labrador) allows for a retailer of electricity to apply to the PUB for an order determining the number of essential employees who are required to report to work in the event of a labour dispute. As a regulated utility, determining the number of essential employees is necessary to ensure it can continue to provide safe, reliable service to customers in the event of a labour dispute. On January 30, 2025, the PUB issued an order setting the number of Craft employees who are considered essential in the event of a labour dispute.

The inability to renew the collective 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, which could have a material adverse effect on the results of operations, cash flows and financial position of the Company.

Political Environment: The political environment, at the local, national or global level, may impact energy laws, governmental energy policies or regulatory decisions. Political pressure or intervention to address rising energy prices and customer affordability concerns may impact regulatory decisions, as well as the period over which the Company recovers allowed costs. See "Regulation" described on page 7.

The Company is further exposed to risks associated with international relations and geopolitical events. Political, economic or social instability or events, trade disputes, increased tariffs, changes in laws or the imposition of onerous regulations applicable to existing operations, currency restrictions, and the impacts of changes in political leadership could lead to an increase in commodity prices, impact the availability and cost of energy or generally affect global economic conditions, any of which could have a material adverse effect on the Company's results of operations, cash flows or financial position. See "Economic Conditions" described on page 8 and "Environment" described on page 9.

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 as well as to fill strategic positions. The inability to attract, develop and retain a skilled workforce or filling strategic positions could have a material adverse effect on the Company.

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 is no assurance that any additional maintenance or capital costs will receive regulatory approval for recovery in future customer rates.

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.

The implementation of new information technology systems into the business, including those impacting utility operations and customer billing systems, carries risk that any such system will not operate as expected. Failure to maintain, upgrade, replace or properly implement such new information technology systems could result in increased risk of a cybersecurity incident and have an adverse effect on operational efficiency, revenue or reputation. See "Cybersecurity" described on page 8.

Insurance: The Company maintains a comprehensive insurance program considered appropriate and in accordance with industry practice. 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. 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.

Certain of the Company's transmission and distribution assets are not covered under insurance for physical damage, including poles and wires. This is customary in North America as the cost of the coverage is not considered economical. For material uninsured losses, the Company could seek regulatory relief for recovery in customer rates. 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.

Defined Benefit Pension Plan Performance: The defined benefit pension plan is subject to judgments utilized in the actuarial determination of the projected pension benefit obligation and the related pension expense. The primary assumptions utilized are the expected long-term rate of return on pension plan assets and the discount rate used to value the projected 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.

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, and the projected benefit obligation.

Pension benefit obligations and related pension expense can be affected by changes 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 also impact the discount rate, which may result in material variations in future pension funding requirements from current estimates and future pension expense.

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. Differences in pension expense arising from variations in assumptions are recovered from or refunded to customers through the Company's RSA. The closure of the defined benefit pension plan in 2004 also mitigates pension risk.

Legal, Administrative and Other Proceedings: Legal, administrative and other proceedings arise in the ordinary course of business and may include environmental claims, employment-related claims, securities-based litigation, contractual disputes, personal injury or property damage claims, actions by regulatory or tax authorities, and other matters. Unfavourable outcomes such as judgments or settlements for monetary or other damages, injunctions, denial or revocation of permits, reputational harm, and other results could have a material adverse effect on the financial position of the Company.

Continued Reporting in Accordance with U.S. GAAP: Newfoundland Power prepares its financial statements in accordance with U.S. GAAP pursuant to an order of the Ontario Securities Commission ("OSC"). The order permits Newfoundland Power to continue to prepare its financial statements in accordance with U.S. GAAP until the earliest of: (i) January 1, 2027; (ii) the first day of the financial year that commences after the Company ceases to have activities subject to rate regulation; and (iii) the first day of the financial year that commences on or following the later of: (a) the effective date prescribed by the International Accounting Standards Board ("IASB") for a mandatory application of a rate-regulated standard; and (b) two years after the IASB publishes the final version of a mandatory rate-regulated standard.

On the expiration of the OSC relief described above, the Company will be required to adopt International Financial Reporting Standards ("IFRS"). Adopting IFRS is a complex and costly process. If regulatory relief is not granted in respect of these costs, they could have a material adverse effect on the Company's results of operations, cash flows and financial position.

CHANGES IN ACCOUNTING POLICIES

There were no changes to the Company's accounting policies in 2024.

FUTURE ACCOUNTING PRONOUNCEMENTS

The Company considers the applicability and impact of all accounting standards updates ("ASUs") issued by the Financial Accounting Standards Board ("FASB"). The following update has been issued by the FASB, but has not yet been adopted by Newfoundland Power. Any ASUs not included below were assessed and determined to be either not applicable to the Company or are not expected to have a material impact on the financial statements.

Income Statement Expenses
ASU No. 2024-03, *Disaggregation of Income Statement Expenses*, issued in November 2024, is effective for Newfoundland Power on January 1, 2027 for annual periods and on January 1, 2028 for interim periods, on a prospective basis, with retrospective application and early adoption permitted. The ASU requires disclosure of specified information about certain costs and expenses. Newfoundland Power is assessing the impact that the adoption of this update will have on its financial statements and related disclosures.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with U.S. 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 requires amounts to be recorded at estimated values until these amounts are finalized pursuant to regulatory decisions or other regulatory proceedings. Due to changes in facts and circumstances and the inherent uncertainty involved in making estimates, actual results may differ significantly from current estimates. Estimates and judgments 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. The critical accounting estimates are discussed below.

Depreciation and Amortization: Depreciation and amortization, by their nature, are estimates 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 lives of the assets. Newfoundland Power's depreciation methodology, including depreciation and amortization rates, accumulated depreciation and estimated remaining service lives, is subject to a periodic study by external experts. The difference between actual accumulated depreciation and that indicated by the depreciation study is amortized and included in customer rates in a manner prescribed by the PUB.

The most recent depreciation study, based on property, plant and equipment in service as at December 31, 2019, indicated an accumulated depreciation variance of $31.9 million. The PUB ordered that it be amortized as an increase in depreciation expense of property, plant and equipment over the average remaining service life of the related assets.

The estimate of future removal and site restoration costs is based on historical experience and future expected cost trends. The balance of this regulatory liability as at December 31, 2024 was $220.5 million (December 31, 2023 - $208.7 million). The net amount of estimated future removal and site restoration costs provided for and reported in depreciation expense during 2024 was $25.2 million (2023 - $24.0 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 ("general expenses capitalized" or "GEC"). 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 2024, GEC totalled $4.7 million (2023 - $5.1 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 and OPEB plans are subject to judgments utilized in the actuarial determination of the expense and related obligations. The primary assumptions utilized in determining the pension expense and the projected pension benefit obligation are the discount rate and the expected long-term rate of return on plan assets. The primary assumptions utilized in determining the OPEB expense and the projected OPEB benefit obligation are the discount rate and the health care cost trend rate. All assumptions are assessed and concluded in consultation with the Company's external actuarial advisor.

The discount rate as at December 31, 2024, which is utilized to determine the projected pension benefit obligation and the 2025 pension expense, was 4.7%, compared to the discount rate of 4.6% as at December 31, 2023. The discount rate as at December 31, 2024, utilized to determine the projected OPEB obligation and the 2025 OPEB expense, was 4.7%, compared to the discount rate of 4.6% as at December 31, 2023. Discount rates reflect market interest rates on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

The expected long-term rate of return on pension plan assets which is used to estimate the 2025 defined benefit pension expense is 5.50% compared to 5.75% used for the 2024 defined benefit pension expense. The expected long-term rate of return reflects global market conditions and the Company's long-term investment strategy. As in previous years, the Company's actuary provided a range of expected long-term pension asset returns based on its internal modelling. The expected long-term return on pension plan assets of 5.50% falls within this range.

The Company completed its asset mix study in second quarter of 2024. The key focus of the study was around reducing the risk associated with the Company's defined benefit pension plan, driven by the closed status of the plan, the demographics of plan participants and the funded status of the plan. As a result of the study, the allocation of fixed income investments to eliminate longer duration bonds was completed to reduce interest rate risk and pension expense volatility, while maintaining the opportunity to earn a reasonable return on pension plan assets. The updated asset mix was completed in the fourth quarter of 2024.

The health care cost trend rate as at December 31, 2024, which is utilized to determine the projected OPEB benefit obligation and the 2025 OPEB expense, is 4.0%, consistent with December 31, 2023.

The following table provides sensitivity to the changes in the 2024 primary assumptions associated with the Company's primary defined benefit pension and OPEB plans.

	Defined Benefit Pension Plan		OPEB Plan	
($millions)	**Pension Expense[1]**	**Benefit Obligation[2]**	**OPEB Expense[1]**	**Benefit Obligation[2]**
Rate of return on plan assets:				
Increase by 1.0%	(4.0)	-	-	-
Decrease by 1.0%	4.0	-	-	-
Discount rate:				
Increase by 1.0%	1.1	(31.8)	(0.4)	(5.3)
Decrease by 1.0%	3.0	37.9	0.5	6.6
Health care cost trend rate:				
Increase by 1.0%	-	-	0.9	4.5
Decrease by 1.0%	-	-	(0.7)	(3.8)

[1] *For the year ended December 31, 2024. The volatility of future pension and OPEB expense has been mitigated by the PUB approved PEVDA and OPEB cost variance deferrals, in which the difference arising from variations in assumptions between actual pension and OPEB expense and pension and OPEB expense approved by the PUB for rate-setting purposes would be recovered from or refunded to customers through the Company's RSA.*

[2] *As at December 31, 2024.*

Other assumptions applied in measuring the defined benefit pension expense and/or the projected 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. Other assumptions utilized in determining OPEB costs and obligations include the foregoing assumptions, excluding the average rate of compensation increase.

Income Taxes: Deferred 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 deferred income tax assets and liabilities are reasonably likely to change from period to period because of changes in the estimation of these expectations.

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, 2024 or 2023.

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 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, 2024, the amount of accrued unbilled revenue recorded in accounts receivable was approximately $30.0 million (December 31, 2023 - $31.8 million).

Contingencies: The Company is subject to various legal proceedings and claims associated with the ordinary course of business operations. It is management's judgment 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 annual information for the years ended December 31, 2024, 2023 and 2022. The financial information reflects Canadian dollars and has been prepared in accordance with U.S. GAAP.

($millions, except per share amounts)	**2024**	**2023**	**2022**
Results of Operations:			
Revenue	788.9	773.9	735.7
Net Earnings Applicable to Common Shares	50.6	46.0	45.7
Financial Position:			
Total Assets	2,108.5	1,994.9	1,838.1
Total Long-Term Liabilities	1,261.5	1,254.8	1,142.1
Shareholder's Equity	643.9	582.6	543.9
Per Share Data:			
Earnings Applicable to Common Shares[1]	4.90	4.46	4.42
Common Dividends Declared[1]	-	0.71	2.80

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

For a description of the changes from 2023 to 2024, see "Financial Highlights" on page 2 and "Revenue" on page 3. The increase in revenue from 2022 to 2023 primarily reflects changes in regulatory deferrals and amortizations and higher electricity sales, partially offset by a 1.1% decrease in customer electricity rates as a result of the PUB issued order on the Company's 2022/2023 General Rate Application (the "2022/2023 GRA Order"). The increase in earnings from 2022 to 2023 primarily reflects higher than expected electricity sales and higher revenues associated with the implementation of the 2022/2023 GRA Order effective March 1, 2022. The increase was partially offset by the impact of a regulatory earnings adjustment, higher demand charges from Hydro, higher than expected finance charges and an increase in operating expenses.

The increase in total assets from 2022 to 2023 primarily reflects continued investment in the electricity system and an increase in regulatory assets associated with PUB-approved regulatory mechanisms.

FOURTH QUARTER RESULTS

	2024	**2023**	**Change**
Electricity Sales *(GWh)*[1]	1,575.3	1,587.6	(12.3)
Net Earnings Applicable to Common Shares			
$ Millions	23.4	13.4	10.0
$ Per Share	2.26	1.30	0.96
Cash Flow from Operating Activities *($millions)*	41.3	22.9	18.4
Cash Flow used in Investing Activities *($millions)*	(41.9)	(42.7)	0.8
Cash Flow from Financing Activities *($millions)*	0.7	20.4	(19.7)

[1] *Reflects normalized electricity sales.*

Electricity sales for the fourth quarter of 2024 decreased by 12.3 GWh, or approximately 0.8% compared to the fourth quarter of 2023. The decrease primarily reflects 1.5% lower average consumption by residential and commercial customers, partially offset by customer growth of 0.7%.

Earnings for the fourth quarter of 2024 increased by $10.0 million compared to the fourth quarter of 2023. The increase in earnings primarily reflects the timing of recognition of the 2024 RORB order, rate base growth and lower corporate costs, partially offset by higher depreciation, and an increase in finance charges.

Cash from operating activities for the fourth quarter of 2024 increased by $18.4 million compared to the fourth quarter of 2023. The increase primarily reflects changes in the Company's working capital.

Cash used in investing activities for the fourth quarter of 2024 decreased by $0.8 million compared to the fourth quarter of 2023. The decrease primarily reflects lower intangible asset expenditures, partially offset by higher capital asset expenditures and lower contributions from customers.

Cash provided by financing activities for the fourth quarter of 2024 decreased by $19.7 million compared to the fourth quarter of 2023. The decrease was primarily due to lower net borrowings on the Company's credit facility, partially offset by a capital contribution from Fortis.

QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the eight quarters ended March 31, 2023, through December 31, 2024. The quarterly information reflects Canadian dollars and has been obtained from the Company's interim unaudited financial statements which have been prepared in accordance with U.S. GAAP. 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)	2024	2023	2024	2023	2024	2023	2024	2023
Electricity Sales *(GWh)*[1]	2,052.6	2,021.3	1,356.6	1,373.7	941.7	945.4	1,575.3	1,587.6
Revenue *($millions)*	262.9	255.4	180.1	184.1	129.8	130.8	216.1	203.5
Net Earnings Applicable to Common Shares *($millions)*	7.7	9.3	12.5	14.0	7.1	9.2	23.4	13.4
Earnings per Common Share *($)*[2]	0.75	0.90	1.21	1.36	0.69	0.89	2.26	1.30

[1] *Reflects normalized electricity sales.*
[2] *Basic and fully diluted.*

Seasonality

Sales and Revenue: Quarterly sales and revenue are impacted by the seasonality of electricity sales for heating. As a result, sales and revenue are significantly higher in the first quarter and significantly lower in the third quarter compared to the remaining quarters.

Earnings: In addition to 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. Overall, these sales, revenue and cost dynamics are such that earnings are generally lower in the first quarter than the remaining quarters in the year. Effective January 1, 2025, a new purchased power rate structure will be in place for the Company, which may impact the timing of quarterly purchased power costs and earnings compared to 2024.

Trending

Sales and Revenue: Changes in quarterly electricity sales year-over-year reflect fluctuations in average consumption and growth in the number of customers served by the Company. The Company expects growth in the number of customers to be modest. Trends in future sales are expected to be comparable with recent years.

Earnings: Beyond the impact of fluctuations in electricity sales, future quarterly earnings and earnings per share are expected to trend with the return on equity reflected in customer rates and rate base growth.

OUTLOOK

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 a sustainable manner.

Customer Rates: Customer electricity rates are projected to increase effective July 1, 2025 as a result of the Company's 2025/2026 GRA. Customer electricity rates are also projected to increase on July 1, 2025 as a result of Hydro's operations and the related Rate Mitigation Plan and Newfoundland Power's RSA. Final customer rate impacts will be determined following the PUB's review of the Company's associated compliance application. For more information, refer to the "Regulation" section of this MD&A.

Energy Supply: Newfoundland Power purchases approximately 93% of its electricity requirements from Hydro. In the event that Hydro is unable to supply the Company with wholesale energy deliveries, Newfoundland Power would be unable to meet its customers' requirements.

The Muskrat Falls project supplies a significant portion of Hydro's, and in turn Newfoundland Power's, electricity requirements. While it was fully commissioned and released for service in 2023, the reliability of supply from the Muskrat Falls project remains uncertain and is under review by the PUB. In 2024, Hydro indicated that its 490-megawatt Holyrood Thermal Generating Station will remain in service as backup generation to support the LIL until new sources of generation are available. The PUB's review of Hydro's reliability and resource adequacy is ongoing.

OUTSTANDING SHARES

As at the filing date of this MD&A the Company had issued and outstanding 10,320,270 common shares. The common shares carry voting rights of one vote per share.

CORPORATE INFORMATION

Additional information about Newfoundland Power, including its quarterly and annual financial statements and Annual Information Form, is available on SEDAR+ at www.sedarplus.ca.

The Company is a wholly owned subsidiary of Fortis, a leader in the North American regulated electric and natural gas utility industry. Fortis shares are listed on both the Toronto Stock Exchange and the New York Stock Exchange.

Additional information about Fortis can be accessed at www.fortisinc.com, www.sedarplus.ca, or www.sec.gov.

For further information, contact:

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First Quarter Management Discussion and Analysis

March 31, 2025

Interim Management Discussion & Analysis
March 31, 2025

WHENEVER. WHEREVER.
We'll be there.

NEWFOUNDLAND POWER
A FORTIS COMPANY

INTERIM MANAGEMENT DISCUSSION AND ANALYSIS
For the Three Months Ended March 31, 2025

Dated May 6, 2025

The following interim Management Discussion and Analysis ("MD&A") should be read in conjunction with Newfoundland Power Inc.'s (the "Company" or "Newfoundland Power") condensed interim unaudited financial statements and notes thereto for the three-month period ended March 31, 2025 and the MD&A and annual audited financial statements for the year ended December 31, 2024. The MD&A has been prepared in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. Financial information for the three-month period ended March 31, 2025 and comparative periods contained herein reflects Canadian dollars and accounting principles generally accepted in the United States ("U.S. GAAP").

FORWARD-LOOKING INFORMATION

Certain information in this MD&A is forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information reflects expectations of Newfoundland Power management regarding future growth, results of operations, performance and opportunities. Wherever possible, words such as "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and the negative of these terms and other similar terminology have been used to identify forward-looking information.

The forward-looking information in this MD&A includes, but is not limited to, statements regarding: the expectation that there will be no material changes in annual cash flow or financing dynamics; the expectation that sufficient cash will be generated from operations to meet pension funding requirements; the expectation that the Company will maintain investment grade credit ratings in 2025; the expectation that upcoming accounting standards updates will not have a material impact on the Company's financial statements; the expectation that growth in the Company's number of customers will be modest; the expectation that trends in future sales are expected to be comparable to recent years; and the expectation that future earnings and earnings per share are expected to trend with the return on equity reflected in customer rates and rate base growth.

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; 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 or environmental laws; the ability to obtain and maintain insurance coverage, licenses 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.

A number of factors could cause actual results to differ materially from the results discussed or implied in the forward-looking information. These factors should be considered carefully and undue reliance should not be placed on the forward-looking information. Risk factors which could cause results or events to differ from current expectations are detailed under the heading "Business Risk Management" in the MD&A for the year ended December 31, 2024 and in other continuous disclosure materials filed from time to time with Canadian securities regulatory authorities. These risk factors include, but are not limited to: regulation; energy supply; purchased power costs; economic conditions; health and safety; cybersecurity; climate change and weather; environment; capital resources and liquidity; interest rates; labour relations; political environment; human resources; operating and maintenance; information technology infrastructure; insurance; defined benefit pension plan performance; legal, administrative and other proceedings; and continued reporting in accordance with U.S. GAAP.

All forward-looking information in this MD&A is given as of the date of this MD&A 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.

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 Newfoundland and Labrador. The Company is a wholly owned subsidiary of Fortis Inc. ("Fortis"). Fortis is a well-diversified leader in the North American regulated electric and gas utility industry, serving customers across Canada and in the United States and the Caribbean.

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 approximately 278,000 customers, comprising 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 a sustainable 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 to an opportunity to recover, through customer rates, all reasonable 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.

On January 16, 2025, the PUB issued orders approving the Company’s and Hydro’s applications to establish a new wholesale rate effective January 1, 2025. The order approved: (i) flowing through the impacts of the revised wholesale rate on the Company’s 2025 and 2026 test year revenue requirements as part of its 2025/2026 General Rate Application (the “2025/2026 GRA”); and (ii) rebasing power supply costs into base rate test year revenue requirements.

On January 16, 2025, the PUB also issued an order on the Company’s 2025/2026 GRA which established the Company’s cost of capital for ratemaking purposes for 2025 through 2027 based upon an 8.6% return on equity and 45% common equity. The PUB directed the Company to file a compliance application reflecting the settlement agreements reached in relation to the 2025/2026 GRA, the 2025/2026 GRA order and other applicable orders, including the flow-through of impacts associated with the revised wholesale rate from Hydro and the annual July 1st rate stabilization adjustment. The Company is required to file its next general rate application on or before June 1, 2027.

On April 17, 2025, Newfoundland Power filed its compliance application as directed by the PUB. The application proposes an overall average increase in customer rates effective July 1, 2025 of approximately 7.0%. This is comprised of: (i) 8.5% resulting from the Company’s 2025/2026 GRA, including a 4.0% increase associated with the rebasing of supply costs; (ii) 2.3% resulting from Hydro’s wholesale rate adjustments; and (iii) a decrease of 3.8% largely resulting from a reduction in Newfoundland Power’s rate stabilization adjustment. The compliance application proposes that the unrecovered balance in the Company’s Rate Stabilization Account (“RSA”) be maintained in the account for future recovery in customer rates. The application is currently under review by the PUB.

Financial Highlights

	Quarter Ended March 31		
	2025	**2024**	**Change**
Electricity Sales *(gigawatt hours (“GWh”))*[1]	2,039.6	2,052.6	(13.0)
Earnings Applicable to Common Shares			
$ Millions	12.5	7.7	4.8
$ Per Share	1.22	0.75	0.47
Cash Flow from Operating Activities *($millions)*	0.6	(21.5)	22.1
Total Assets *($millions)*	2,155.9	2,004.6	151.3

[1] *Reflects weather normalized electricity sales.*

Electricity sales for the first quarter of 2025 decreased by 13.0 GWh, or approximately 0.6% compared to the first quarter of 2024. The decrease in electricity sales reflects 1.3% lower average consumption by residential and commercial customers, partially offset by 0.7% growth in the number of residential customers.

Earnings for the first quarter of 2025 increased by $4.8 million compared to the first quarter of 2024. The increase in earnings primarily reflects the timing of quarterly earnings. This is the result of the Company’s 2025/2026 GRA, 2024 Return on Rate Base Application, and a new wholesale rate effective January 1, 2025, which impact the timing of quarterly earnings in 2025 and 2024.

Cash flow from operating activities for the first quarter of 2025 increased by $22.1 million compared to the first quarter of 2024. The increase primarily reflects changes in the Company’s working capital, higher earnings, and lower current tax expense.

Total assets as at March 31, 2025 increased by $151.3 million compared to March 31, 2024. The increase primarily reflects continued investment in the electricity system, an increase in regulatory assets associated with PUB-approved regulatory mechanisms, and an increase in pension assets.

RESULTS OF OPERATIONS

Revenue

	Quarter Ended March 31		
($millions)	**2025**	**2024**	**Change**
Electricity Revenue[1]	265.4	258.7	6.7
Other Revenue[2]	4.7	4.2	0.5
Total Revenue	270.1	262.9	7.2

[1] *Electricity revenue includes regulatory deferrals and amortizations recognized pursuant to PUB orders of approximately $18.6 million for the first quarter of 2025 (2024 – $10.6 million). The amounts are recorded in accordance with PUB orders and are described in Note 7 to the Company's 2024 annual audited financial statements and Note 7 to the condensed interim unaudited financial statements for the quarter ended March 31, 2025.*

[2] *Other revenue includes charges to telecommunication companies, interest revenue associated with customer accounts and other miscellaneous amounts.*

Electricity revenue for the first quarter of 2025 increased by $6.7 million compared to the first quarter of 2024. The increase primarily reflects changes in regulatory deferrals and amortizations, partially offset by lower electricity sales.

Other revenue for the first quarter of 2025 increased by $0.5 million compared to the first quarter of 2024. The increase primarily reflects higher interest on the RSA balance, partially offset by lower interest on customer accounts.

Purchased Power: Purchased power expense for the first quarter of 2025 decreased by $2.1 million compared to the first quarter of 2024. The decrease primarily reflects lower energy purchases from Hydro.

Operating Expenses: Operating expenses for the first quarter of 2025 were $0.8 million higher than the first quarter of 2024. The increase was primarily due to vegetation management costs and inflationary increases in labour costs.

Employee Future Benefits: Employee future benefits for the first quarter of 2025 were $1.4 million higher than the first quarter of 2024. The increase was primarily due to higher amortization of net actuarial losses for the defined benefit pension plan in 2025 and a lower expected return on plan assets.

Depreciation and Amortization: Depreciation and amortization expense for the first quarter of 2025 was $0.9 million higher than the first quarter of 2024. The increase reflects the Company's continued investment in the electricity system.

Cost Recovery Deferrals, Net: Cost recovery deferrals for the first quarter of 2025 were comparable to the first quarter of 2024.

Finance Charges: Finance charges for the first quarter of 2025 were comparable to the first quarter of 2024.

Income Tax Expense: Income tax expense for the first quarter of 2025 was $1.4 million higher than the first quarter of 2024. The increase primarily reflects an increase in earnings before tax and a higher effective tax rate.

FINANCIAL POSITION

Explanations of the primary causes of significant changes in the Company's balance sheets between December 31, 2024 and March 31, 2025 follow.

($millions)	Increase (Decrease)	Explanation
Accounts Receivable	26.2	Increase reflects the seasonal nature of electricity consumption for heating, and normal timing differences relating to both the operation of the Company's equal payment plan for its customers, and the collection and payment of municipal taxes.
Property, Plant and Equipment	12.1	Increase due to investment in the electricity system, in accordance with the 2025 capital expenditure program, partially offset by depreciation and customer contributions in aid of construction.
Long-term Debt, including Current Portion	37.0	Increase reflects borrowings on the Company's committed credit facility required to finance ongoing operating activities and capital expenditures.
Retained Earnings	12.7	Earnings in excess of dividends; retained to finance rate base growth and ongoing operating activities.

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 first quarter cash flows and cash position for 2025 and 2024 follows.

	Quarter Ended March 31		
($millions)	2025	2024	Change
Cash, Beginning of Period	-	3.1	(3.1)
Operating Activities	0.6	(21.5)	22.1
Investing Activities	(36.6)	(28.4)	(8.2)
Financing Activities	36.0	49.0	(13.0)
Cash, End of Period	-	2.2	(2.2)

Operating Activities

Cash flow from operating activities for the first quarter of 2025 increased by $22.1 million compared to the first quarter of 2024. The increase primarily reflects changes in the Company's working capital, higher earnings, and lower current tax expense.

Operating cash flow in the first quarter is typically lower than the remainder of the year reflecting the timing differences in working capital primarily relating to the receipt and payment of municipal tax and the Company's equal payment plan for its customers. Municipal tax for each calendar year is generally paid to municipalities in the first quarter of the year. Municipal tax is collected from customers through their monthly electricity bills for the calendar year. The result is a net outflow of cash in the first quarter of each year and a net inflow over the remaining quarters.

Electricity consumption for heating is higher in the winter months and lower in the summer months, compared to the remaining months of the year. Monthly payments received from customers availing of the Company's equal payment plan reflect average monthly consumption. Monthly payments made by the Company for purchased power reflect actual consumption. During the first quarter, the resulting excess of actual consumption over average consumption results in a net cash outflow.

Investing Activities

Cash used in investing activities for the first quarter of 2025 increased by $8.2 million compared to the first quarter of 2024. The increase primarily reflects higher capital asset expenditures and lower customer contributions, partially offset by lower intangible asset expenditures.

A summary of first quarter 2025 and 2024 capital and intangible asset expenditures follows.

	Quarter Ended March 31		
($millions)	**2025**	**2024**	**Change**
Electricity System			
Generation	1.5	0.4	1.1
Transmission	1.2	0.7	0.5
Substations	3.2	2.9	0.3
Distribution	16.8	15.6	1.2
Other	13.5	8.7	4.8
Intangible Assets	0.9	1.3	(0.4)
Capital and Intangible Asset Expenditures	37.1	29.6	7.5

The Company's business is capital intensive. Capital investment is required to ensure safe, reliable electrical system performance and to meet customer growth. All costs considered to be repairs and maintenance are expensed as incurred. Capital investment is also required for information technology systems, general facilities, equipment, and vehicles. Capital expenditures, 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 approved capital expenditures for 2025 total $128.0 million, with approximately 50% of the capital expenditures related to maintenance of the electricity system.

Financing Activities

Cash provided by financing activities for the first quarter of 2025 decreased by $13.0 million compared to the first quarter of 2024. The decrease was primarily due to related-party borrowings in the first quarter of 2024, partially offset by higher net borrowings on the Company's committed credit facility in the first quarter of 2025.

The Company has historically generated sufficient annual cash flows from operating activities to service annual interest and sinking fund payments on debt, fund pension obligations, pay dividends and finance a major portion of its annual capital program. Additional financing to fund the annual capital program is primarily obtained through the Company's bank credit facilities. These borrowings are periodically refinanced, along with any maturing bonds, through the issuance of long-term first mortgage sinking fund bonds. The issuance of bonds is subject to prior PUB approval and to a mortgage trust deed requirement that 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, be two times or higher.

Credit Facilities: The Company's credit facilities are comprised of a $130 million committed revolving term credit facility and a $20 million demand facility as detailed below.

($millions)	**March 31, 2025**	**December 31, 2024**
Total Credit Facilities	150.0	150.0
Borrowing, Committed Facility	(94.0)	(57.0)
Borrowing, Demand Facility	(3.3)	(4.3)
Credit Facilities Available	52.7	88.7

The committed facility matures in August 2029. Subject to lenders' approval, the Company may request an extension for a further period of up to, but not exceeding, five years.

Pensions: As at March 31, 2025, the fair value of the Company's funded defined benefit pension plan assets was $401.3 million compared to $400.9 million as at December 31, 2024.

The latest actuarial valuation of the Company's defined benefit pension plan for funding purposes was as at December 31, 2022. Based on the most recent actuarial valuation, contributions for current service amounts are estimated to average $1.0 million annually for 2025 and 2026. The Company expects to have sufficient cash generated from operations to meet future pension funding requirements.

Contractual Obligations: Details, as at March 31, 2025, of 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)	97.3	97.3	-	-	-
First Mortgage Sinking Fund Bonds[1]	739.1	8.5	44.5	50.6	635.5
Interest Obligations on Long-term Debt	612.9	38.7	71.7	66.4	436.1
Total	1,449.3	144.5	116.2	117.0	1,071.6

[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 endeavors to maintain its investment grade credit ratings. Details of the Company's investment grade bond ratings follow.

	March 31, 2025		December 31, 2024	
Rating Agency	**Rating**	**Outlook**	**Rating**	**Outlook**
Moody's Investors Service ("Moody's")	A2	Negative	A2	Negative
Morningstar DBRS ("DBRS")	A	Stable	A	Stable

In 2024, Moody's changed its rating outlook for the Company from stable to negative to reflect delays in cost recovery that have adversely impacted the Company's credit profile and financial metrics.

Newfoundland Power maintains an average annual capital structure of approximately 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 follows.

	March 31, 2025		December 31, 2024	
	$millions	**%**	**$millions**	**%**
Total Debt[1]	833.3	55.9	797.3	55.3
Common Equity[2]	656.6	44.1	643.8	44.7
Total	1,489.9	100.0	1,441.1	100.0

[1] *Includes long-term debt, net of deferred financing costs, unamortized credit facility costs and cash. Total also includes bank indebtedness, current portion of long-term debt, credit facility borrowings and related-party borrowings.*

[2] *Includes common shares issued and outstanding, contributed capital and retained earnings.*

The Company expects to maintain its investment grade credit ratings in 2025.

Capital Stock and Dividends: During the first quarter of 2025 and 2024, the weighted average number of common shares outstanding was 10,320,270. The Company did not declare or pay common share dividends during the first quarter of 2025 and 2024. This is consistent with the Company's common share dividend policy to maintain a capital structure composed of approximately 55% debt and 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 operating expenses for the three months ended March 31, 2025 were $0.5 million (2024 - $0.6 million).

There were no related-party borrowings from, or finance charges paid to, Fortis in the first quarter of 2025.

FINANCIAL INSTRUMENTS

The carrying values of financial instruments included in current assets, current liabilities, other assets, and other 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 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 settlement costs.

The carrying and estimated fair values of the Company's long-term debt follows.

	March 31, 2025		December 31, 2024	
($millions)	**Carrying Value**	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Long-Term Debt, including Current Portion and Committed Credit Facility	833.1	882.4	796.1	848.0

BUSINESS RISK MANAGEMENT

There were no material changes to the Company's business risks during the first quarter of 2025, with the exception of the following.

Energy Supply: Newfoundland Power purchases approximately 93% of its electricity requirements from Hydro. In the event that Hydro is unable to supply the Company with wholesale energy deliveries, Newfoundland Power would be unable to meet its customers' requirements.

In March 2025, Hydro submitted applications for capital expenditures emphasizing the need for urgent investment to maintain system reliability and meet future capacity requirements. The applications state that approximately 525 MW of capacity is required by 2034 to address additional demand and to allow for the retirement of aging thermal assets, including the Holyrood Thermal Generation Station. Hydro is requesting the approval of approximately $2 billion to expand the Bay d'Espoir hydroelectric generating station and to build a combustion turbine on the existing Holyrood site. The applications are currently under review by the PUB.

CHANGES IN ACCOUNTING POLICIES

There were no changes to the Company's accounting policies during the first quarter of 2025.

FUTURE ACCOUNTING PRONOUNCEMENTS

The Company considers the applicability and impact of all accounting standards updates ("ASUs") issued by the Financial Accounting Standards Board ("FASB"). The following update has been issued by the FASB, but has not yet been adopted by Newfoundland Power. Any ASUs not included below were assessed and determined to be either not applicable to the Company or are not expected to have a material impact on the financial statements.

Income Statement Expenses
ASU No. 2024-03, *Disaggregation of Income Statement Expenses*, issued in November 2024, is effective for Newfoundland Power on January 1, 2027 for annual periods and on January 1, 2028 for interim periods, on a prospective basis, with retrospective application and early adoption permitted. The ASU requires disclosure of specified information about certain costs and expenses. ASU No. 2025-01, *Clarifying the Effective Date*, issued in January 2025, clarified the effective date of ASU No. 2024-03. Newfoundland Power is assessing the impact that the adoption of these updates will have on its financial statements and related disclosures.

CRITICAL ACCOUNTING ESTIMATES

There were no material changes to the Company's critical accounting estimates during the first quarter of 2025. Interim financial statements, however, tend to employ a greater use of estimates than the annual financial statements.

QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the eight quarters ended June 30, 2023 through March 31, 2025. The quarterly information reflects Canadian dollars and has been obtained from the Company's interim unaudited financial statements which have been prepared in accordance with U.S. GAAP. 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)	**2025**	**2024**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Electricity Sales *(GWh)*[1]	2,039.6	2,052.6	1,356.6	1,373.7	941.7	945.4	1,575.3	1,587.6
Revenue *($millions)*	270.1	262.9	180.1	184.1	129.8	130.8	216.1	203.5
Net Earnings Applicable to Common Shares *($millions)*	12.5	7.7	12.5	14.0	7.1	9.2	23.4	13.4
Earnings per Common Share *($)*[2]	1.22	0.75	1.21	1.36	0.69	0.89	2.26	1.30

1 *Reflects normalized electricity sales.*
2 *Basic and fully diluted.*

Seasonality

Sales and Revenue: Quarterly sales and revenue are impacted by the seasonality of electricity sales for heating. As a result, sales and revenue are higher in the first quarter and lower in the third quarter compared to the remaining quarters. Quarterly revenue may also be impacted by regulatory deferrals and amortizations, as approved by the PUB.

Earnings: In addition to the seasonality of electricity consumption for heating, quarterly earnings are impacted by the purchased power rate structure. Effective January 1, 2025, a new purchased power rate structure was in place for the Company. 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. In general, the Company's sales, revenue and cost dynamics are such that earnings are lower in the first quarter than the remaining quarters in the year. However, the implementation of the 2025/2026 GRA and related revenue shortfall will change the timing of quarterly earnings in 2025.

Trending

Sales and Revenue: Changes in quarterly electricity sales year-over-year reflect fluctuations in average consumption and growth in the number of customers served by the Company. The Company expects growth in the number of customers to be modest. Trends in future sales are expected to be comparable with recent years.

Earnings: Beyond the impact of fluctuations in electricity sales, future quarterly earnings and earnings per share are expected to trend with the return on equity reflected in customer rates and rate base growth.

OUTLOOK

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 a sustainable manner.

Customer Rates: Customer electricity rates are projected to increase by approximately 7.0% effective July 1, 2025. This reflects the combination of the Company's 2025/2026 GRA and Hydro's wholesale rate adjustments, partially offset by a decrease in Newfoundland Power's RSA. The application is currently under review by the PUB. For more information, refer to the "Regulation" section of this MD&A.

OUTSTANDING SHARES

As at the filing date of this MD&A the Company had issued and outstanding 10,320,270 common shares. The common shares carry voting rights of one vote per share.

CORPORATE INFORMATION

Additional information about Newfoundland Power, including its quarterly and annual financial statements and Annual Information Form, is available on SEDAR+ at www.sedarplus.ca.

The Company is a wholly owned subsidiary of Fortis, a leader in the North American regulated electric and natural gas utility industry. Fortis shares are listed on both the Toronto Stock Exchange and the New York Stock Exchange.

Additional information about Fortis can be accessed at www.fortisinc.com, www.sedarplus.ca, or www.sec.gov.

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Newfoundland Power Inc.

Long-Term Debt [1]
($000s)

Series	Interest Rate	Authorized and Issued	Date of Issue	Date of Maturity	Redemptions 2024	Sinking Fund Payments 2024	Amount Outstanding 31-Dec-2024
First Mortgage Sinking Fund Bonds							
AH	8.900%	40,000	7-May-1996	7-May-2026	-	400	28,835
AI	6.800%	50,000	20-Nov-1998	20-Nov-2028	-	500	37,000
AJ	7.520%	75,000	31-Oct-2002	31-Oct-2032	-	750	58,500
AK	5.441%	60,000	15-Aug-2005	15-Aug-2035	-	600	48,000
AL	5.901%	70,000	17-Aug-2007	17-Aug-2037	-	700	57,400
AM	6.606%	65,000	25-May-2009	25-May-2039	-	650	54,600
AN	4.805%	70,000	9-Nov-2013	9-Nov-2043	-	700	62,300
AO	4.446%	75,000	25-Sep-2015	25-Sep-2045	-	750	67,500
AP	3.815%	75,000	2-Jun-2017	1-Jun-2057	-	750	69,000
AQ	3.608%	100,000	20-Apr-2020	20-Apr-2060	-	1,000	95,000
AR	4.198%	75,000	27-Apr-2022	27-Apr-2052	-	750	72,750
AS	5.122%	90,000	11-Aug-2023	11-Aug-2053	-	900	88,200
					-	**8,450**	**739,085**

[1] Excludes borrowings under the committed credit facility and related party borrowings (see Schedule C).

Newfoundland Power Inc.

Indebtedness Other Than First Mortgage Sinking Fund Bonds
($000s)

	31-Dec-2024	31-Dec-2023
Customer Deposits	618	653
Accounts Payable and Accrued Charges[1]	113,340	103,198
Credit Facility Borrowings[2]	57,000	32,000
Related Party Borrowings[3]	-	-
Demand Facility Borrowings	4,277	-
	175,235	**135,851**

[1] Excludes income tax payable and accrued interest on long-term debt.

[2] Credit facility borrowings are classified as long-term debt for financial reporting purposes (see notes to 2024 Audited Financial Statements filed as Schedule A).

[3] Related party borrowings consist of short-term demand loans from Fortis Inc. (see notes to 2024 Audited Financial Statements filed as Schedule A).

Newfoundland Power Inc.

Shares Authorized, Issued and Outstanding

	Issued and Outstanding at December 31, 2024		
Class of Shares	**Authorized**	**Dividend Rate**	**Number of Shares**
Common Class A Convertible without nominal or par value	Unlimited	$ - [1]	10,320,270

[1] No dividends were paid in 2024.

[2] On December 30, 2024, the Company received a $10 million capital contribution from Fortis. No shares were issued in exchange for the contributed capital and there are no set repayment terms. See Note 13 to the Audited Financial Statements in Schedule A-1.