1996 Newfoundland Power Inc. Annual Report

NEWFOUNDLAND POWER

Board of Commissioners
of Public Utilities

Annual Return
(made under s. 59 (2) of the
Public Utilities Act)

1996 Annual Report

Newfoundland Light & Power Co. Limited

A FORTIS Company

CORPORATE PROFILE

Newfoundland Light & Power Co. Limited ("Newfoundland Power" or the "Company") is a regulated investor owned electric utility which serves approximately 210,000 customers throughout the island portion of the Province of Newfoundland. These customers constitute 85% of all electrical consumers in the Province. Sales to residential customers represent approximately 60% of the Company's operating revenue. Newfoundland Power generates about 10% of the energy sold to its customers, and purchases the balance from Newfoundland and Labrador Hydro, a provincial crown corporation. All of the common shares of Newfoundland Power are owned by Fortis Inc., a diversified holding company.

FINANCIAL HIGHLIGHTS

	1996	1995
Revenue ($000s)	$ 341,560	$ 338,934
Net Fixed Assets ($000s)	489,552	489,418
Earnings Applicable to Common Shares($000s)	25,144	27,638
Common Shareholder's Equity ($000s)	226,157	234,779
Earnings per Common Share	2.44	2.68
Sales (Gwh)	4,425	4,382
Customers	210,161	207,780

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REPORT TO SHAREHOLDERS

In 1996, the Company return on equity was 10.91% compared to 12.02% in 1995. During 1996 Newfoundland Power met a number of corporate objectives in relation to sales, operational costs, the reliability of service to customers, safety, and a number of other areas. In several respects our results were significantly better than recent years. This accomplishment took place despite a number of major challenges including a lengthy rate hearing process and a variety of financial pressures.

Successful companies are those which can best identify, meet, and where possible exceed the expectations of customers. Newfoundland Power must strive harder to meet this requirement. Intensified focus on customers is necessary to ensure that our customers recognize Newfoundland Power as the company that best helps them meet their energy requirements.

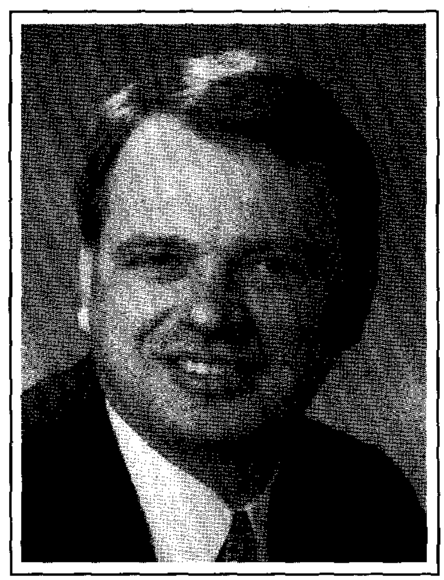
One of the central concerns of customers is the continuity of power supply. Ensuring a continuous, reliable supply of electricity is a significant challenge in the Newfoundland environment. Located at the edge of the North Atlantic Ocean, the Island of Newfoundland endures the strongest winds of any Canadian province, combined with the most frequent occurrences of freezing rain. In addition, salt spray borne by the wind contaminates sensitive electrical equipment and other hardware. These combine to place great stress on our transmission and distribution systems. As Newfoundland is an island with a number of long, rugged peninsulas, the process of supplying backup power can be extremely difficult.

In recent years, as the pace of customer growth in Newfoundland has slowed from past levels and our system becomes more mature, we have changed our focus from system construction towards system maintenance and other important aspects of customer service.

Increasingly, customers have come to expect not only continuity of service but also efficiency in their household or commercial use of electricity. Accordingly, we have concentrated more on providing our customers with modern options for improving their comfort while increasing their efficiency of energy use. Our employees provide much of the technical expertise that customers require in these cases. In addition, our financing plan options are frequently very helpful to customers who wish to take advantage of this improved technology, as well as other improvements such as insulation or ventilation installations, wiring system upgrading, or thermostat replacement.

AIDAN F. RYAN

Chairman and Chief Executive Officer



PHILIP G. HUGHES

President and Chief Operating Officer

The 1996 rate application and subsequent hearing emphasized the importance of our paying greater attention to customer service. In several respects we put forward positions which we felt protected the long term interests of customers and Company alike. These included recommendations concerning rate of return, rate restructuring, and treatment of taxes as well as other financial issues. The decision of the Board of Commissioners of Public Utilities (the "Public Utilities Board") set the Company's allowed range of return on common equity at 10.75% to 11.25%.

The 1996 rate hearing reinforced the fact that the price of electricity is a major concern to our customers. To a great extent the price reflects the structural costs involved with supplying a relatively small and dispersed population spread throughout the province. It also reflects a need to use thermal generation to meet a fairly large portion of the island's electrical load. Management, however, still has a responsibility to manage efficiently and control both capital and operating expenditures. While we have had some success in these efforts, it is clear to us that we must find greater efficiencies in order to meet customer expectations in this area.

The search for these efficiencies extends to our relationship with Newfoundland and Labrador Hydro ("Hydro"). During 1996 we took part in a number of discussions with Hydro concerning possible ways of coordinating our facilities and activities. We feel that with greater coordination there are clear opportunities to effect savings for customers. We are hopeful that at least some of these possibilities can be realized during 1997.

We are conscious of the tradition of service associated with Newfoundland Power and its predecessor companies for well over 100 years. This encompasses the expansion and maintenance of electric service in all types of weather, as well as development and use of new technology. We are developing ways of using technology both to improve our operations and to serve our customers better.

On behalf of the Board of Directors (the "Board") and management, we would like to thank our employees for their continuing dedication and effectiveness in the past year. We are keenly aware that the future success of the Company depends on the efforts and accomplishments of our employees.

A number of changes have taken place in Company management and on the Board of Directors in 1996. Angus A. Bruneau, Chesley M. Blackwood, and Harold W. Lundrigan retired from the Board as of the 1996 Annual General Meeting. We would like to pay tribute to the valuable contributions of all of these gentlemen. Dr. Bruneau has been associated with the Company since 1986 in the roles of President, Chief Executive Officer, and as Chairman, and has actively participated in preparing the Company to meet the challenges ahead.

We were pleased in 1996 to welcome Derrick E. Gill and Frank J. Coleman to the Board. Mr. Gill is Executive Vice President, Voisey's Bay Nickel Company Ltd., while Mr. Coleman is the President of the Coleman Group of Companies. The Company and the Board will benefit from their contribution in the years ahead.

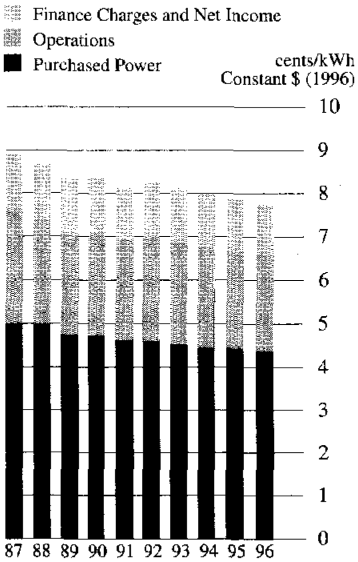
Aidan F. Ryan retired as President as of December 31, 1996, after almost 40 years service with the Company. He will remain as Chairman and Chief Executive Officer of the Company until the 1997 Annual General Meeting. In addition, both Kevin S. Warr, Chief Financial Officer and Raymond F. Gosine, Vice President & Corporate Secretary, retired in 1996. All three have contributed significantly to the success of the Company and to serving our customers over many years.

Philip G. Hughes was appointed President and Chief Operating Officer of the Company as of January 1, 1997. It is intended he will be appointed Chief Executive Officer following the Company's 1997 Annual General Meeting. Mr. Hughes was formerly President & Chief Executive Officer of Maritime Electric Company Limited. In 1996, Karl W. Smith, Vice President, Finance, assumed the duties of Chief Financial Officer. Peter Alteen was appointed Secretary as of January 1, 1997.

Aidan F. Ryan
Chairman and
Chief Executive Officer

Philip G. Hughes
President and
Chief Operating Officer

Average Weather Adjusted Cost to Customers



REPORT ON OPERATIONS

Meeting Customer Expectations

We believe that our customers have a variety of expectations of the Company including: control over increases in the price of electricity; improved reliability from the electrical system; increased efficiency of home heating and other equipment; more options in the ways in which customers can interact with the Company; and continuing improvements in the way we provide service.

In the past year a number of initiatives have been directed towards meeting these expectations. We are developing programs that encourage customers to take advantage of modern technologies such as heat pumps. These devices, which draw upon either the air, ground, or water as a source of heat, can be very efficient in both residential and commercial applications. Our Energy Consultants and other personnel have been able to work very closely with customers in assisting them to design these systems and to otherwise increase the value they receive from their use of our product.

Reliability

In the area of reliability of service, we are continuing an extensive program of replacement of insulators along transmission lines and in substations. This program, which began in 1989, will extend until 2001 and when complete will include over 70,000 insulators, at a cost of over $10 million. The insulators, dating from the 1960s and 1970s, have been found to be subject to premature failure, and are directly responsible for many unscheduled outages on our transmission system over the last 10 years. The work of replacement has been spread over several years due to the need to moderate the annual cost involved. Similarly, we are planning to replace a significant number of insulators on our distribution system during 1997, in continuation of earlier work. We are confident that these replacements will contribute to improved continuity of service for customers.

The types of outages recorded on our system in 1996 reinforce the importance of these steps, with insulator failure shown to be a factor in outages on the Bonavista Peninsula in March and outages later in the year on the Burin Peninsula and parts of the Avalon Peninsula. A number of other reliability problems on our system were weather related. In December, extreme high winds combined with salt spray caused numerous problems in the Port Aux Basques and Port au Port Peninsula areas.

Operational Improvements

Controlling costs is a primary objective of the Company. We continue to make numerous internal improvements through use of the suggestions and ideas of our employees, and through the application of new technology.

In 1996 we made progress by involving employees at all levels in improvement of day to day activities. Vehicle maintenance costs were reduced, and a more streamlined approach to supplying regional warehouse facilities was developed. In St. John's, our ability to accommodate customers needing to conduct maintenance or repairs near our distribution lines was made more efficient, by moving responsibility for the process to a line crew.

In early 1997 we substantially completed an improved telecommunications system, allowing improvements in our radio and substation control capabilities. This new equipment also facilitates the introduction of "workflow" software. This software allows the automation of a number of paper-driven processes while providing more up-to-date communications throughout the Company. We feel these changes will result in significant savings, efficiencies and service improvements over the next several years.

We have also begun an extensive process of migrating our Customer Service System, including our billing system, customer accounts, credit, and related information, to a more advanced computing platform and database management system. This will result in lower overall costs and much greater flexibility in services offered to customers. In relation to customer accounting activity, we have realized significant improvements in our response to customer telephone inquiries. In 1997, we will be performing further work to ensure that the quality of service provided by our call center more fully meets customer requirements. We will also be returning to monthly meter reading for residential customers and implementing this service improvement by using more efficient meter reading routes. These meter reading changes are a response to customer dissatisfaction with bimonthly meter reading, which was introduced in 1993.

During 1997 we plan to begin construction of a new hydro plant at Rose Blanche in southwestern Newfoundland. This 5.5 MW plant will add 22 GWh to the island's yearly renewable energy production, displacing 36,000 barrels of oil annually. When the plant is completed in the fall of 1998, we anticipate savings in purchased power costs as well as reduced power losses along transmission lines in the area. In addition, this plant will improve the reliability of supply for customers in southwestern Newfoundland. This will be the first new generating plant constructed by the Company since 1984.

Employee Issues

This was the first year of implementation of our company wide Incentive Pay Plan. All employees are eligible for incentive pay, subject to the Company's annual return on equity reaching a minimum threshold level. For purposes of this plan, corporate performance is compared to weighted targets for the measures of controllable operating expenses, residential sales growth, reliability of service, safety, and attendance. This plan is designed to encourage all employees to contribute to the Company's achievement of its overall objectives, and has the effect of bringing employee compensation into closer alignment with organizational performance.

During the year we made progress in a number of employee related areas. One was the development and implementation of a Respectful Workplace policy, designed to encourage and support the dignity, self esteem, and productivity of each employee.

Following a review of issues and current practices, we established plans to improve in the following areas: the role of women in management; training for supervisory staff; and skills development for technicians and electrical trades personnel. Collectively, these initiatives relate both to continuing operational requirements and to increasing the potential value of our workforce.

Environmental Management

In 1996, the Company destroyed PCB waste which had accumulated during the year. The Company also removed oil filled electrical equipment which could not be classified as PCB-free and was located within 100 metres of rivers flowing into municipal water supplies. These initiatives support our objectives in relation to the environment as well as the Federal Government's Accelerated Reduction / Elimination of Toxics Program.

Also in 1996, the Company carried out a number of environmental improvements at its Southside Steam Plant in St. John's. These included the removal of vanadium (a residue created by the burning of Bunker "C" oil) from the boilers and the removal of contaminated soil from below the floor of the large above ground fuel storage tank.

The Company was very pleased to receive two awards for its environmental performance. The Company placed as a Finalist in the Business Class of the St. John's Board of Trade and St. John's Clean and Beautiful Awards. The Company also received a certificate of appreciation for its first place finish in the Commercial/Institution Category of the St. John's Clean & Beautiful Beautification Contest. In addition, the Company continued to work with the provincial Department of Environment & Labour, and was commended by the Minister for its support of the Beverage Container Recycling Program.

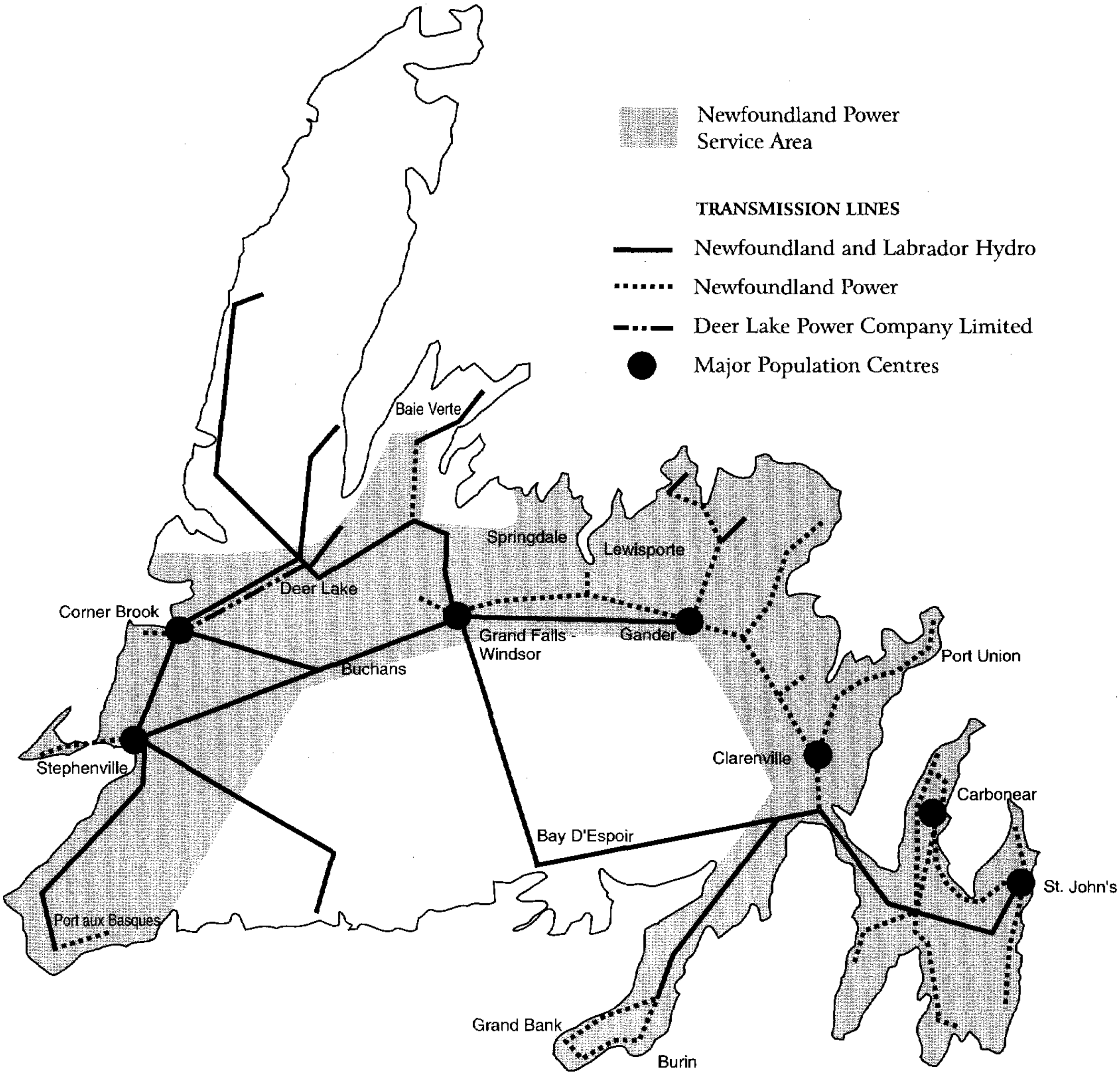
Regulation

On October 22, 1996, the Public Utilities Board ordered that the rates charged by the Company be revised, effective January 1, 1997, to provide an increase in electrical revenue of approximately 1% based on return on average common equity of 11% for the test year 1997.

The general rate application filed by the Company in 1996 proposed restructuring of both the residential and commercial rate classes. The Public Utilities Board rejected the Company's restructuring proposals in respect of the residential class but approved the proposals in respect of the commercial classes.

The average impact of the rate change was a 1.4% increase in residential customers' billings. The average impact for most commercial customers was also an increase of 1.4%, but due to the restructuring of rates one commercial service class saw a decrease of 1.8%.

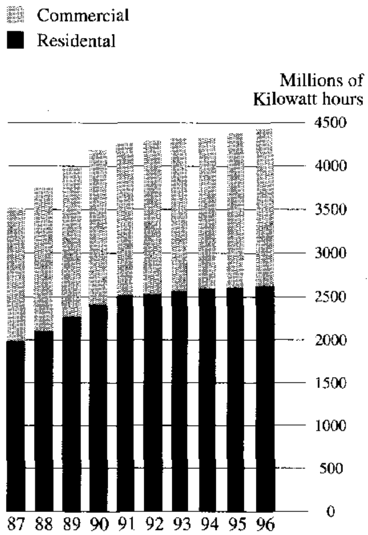
COMPANY SERVICE AREA



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

Energy Sales



Sales of electricity by Newfoundland Power are directly affected by the level of growth and other changes in the provincial economy. While there are a number of positive indications for the future, the economic performance of the Province during 1996 was weak. Energy sales in 1996 totaled 4,425 Gigawatt hours (GWh) compared to 4,382 GWh in 1995. This represents an increase of 1.0% compared to the previous year.

Most of the increase in sales is attributable to the residential sector, where sales increased by 35 GWh to 2,635 GWh due to a net increase of 1,944 residential customers in 1996. There was a small increase of 0.5% in commercial sector sales resulting from increased sales to the Hibernia construction site and to the Ming Minerals Inc. mining operation, which opened in late 1995 and has produced copper, silver, and gold. Management is projecting a decline in energy sales in 1997 of 0.2%, mainly as a result of the windup of the Hibernia project.

Revenue from energy sales in 1996 was $337.9 million compared to $335.3 million in 1995, an increase of 0.8%. Effective January 1, 1997, there was a general rate increase, with rates increasing, on average, slightly less than 1%. This is the first general rate increase since January 1, 1992.

Operating expenses, including the cost of purchased power, were $246.8 million in 1996 compared to $245.9 million in 1995. The increase relates to higher purchased power costs as a result of higher energy sales. Operating expenses excluding purchased power actually declined compared to 1995 despite a reduction in the relative amount of capitalized general overhead expenses. The Company is in the process of phasing in a change to its practice of capitalizing expenditures of this nature.

Income tax expense, at $18.6 million, was significantly higher in 1996 than it was in 1995. In 1995, the Company made a special contribution of $9.8 million to the Company sponsored pension fund, which reduced income tax expense in 1995 by $4.1 million.

Depreciation expense declined to $26.3 million in 1996 from $28.9 million in 1995. The Company conducts a depreciation study every five years with the most recent one being completed in early 1996. The results of this study were presented to the Public Utilities

Board in 1996 and led to a reduction in depreciation being ordered commencing in 1996.

Finance charges were $24.0 million in 1996 compared to $22.7 million in 1995. In May 1996, the Company issued $40.0 million in long-term bonds which contributed to an increase in financing costs.

Earnings applicable to common shares declined to $25.1 million in 1996 compared to $27.6 million in 1995, consistent with the lower rate of return permitted by the Public Utilities Board.

Income Taxes

In July 1995, Revenue Canada issued Notices of Reassessment to the Company for the years 1988 to 1993, disallowing certain amounts capitalized by Newfoundland Power for regulatory and accounting purposes but claimed as operating expenses for tax purposes. Revenue Canada also included as income to the Company, the value of electricity consumed in December but not billed until January, which is a reversal of Revenue Canada's previous position on this issue with respect to the Company. The Company filed Notices of Objection with the Minister of National Revenue in October 1995 with respect to the Notices of Reassessment and in connection therewith paid approximately $15.6 million of the amount of taxes in dispute. The Company believes it has good arguments supporting its position. No provision has been included in the Company's accounts for 1996 with respect to these reassessments. Should the Company be unsuccessful in defending its position, a liability of approximately $33.9 million, including interest to December 31, 1996, would arise. This would be offset by approximately $16.6 million related to recording electricity revenue on the accrual basis. The Company would make application to the Public Utilities Board for the amount to be considered in the rate setting process.

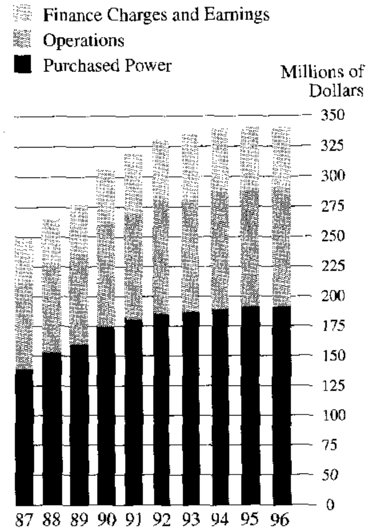
Rate Hearing

In 1996, the Company applied to the Public Utilities Board for an increase in rates. The Company was awarded an overall average increase of 0.93% effective January 1, 1997. Approval had been sought for an average increase of 2.92% effective November 1, 1996. The Public Utilities Board approved a rate of return on average common equity for 1997 in the range of 10.75% to 11.25%, with a corresponding range of return on rate base of 10.50% to 10.80%.

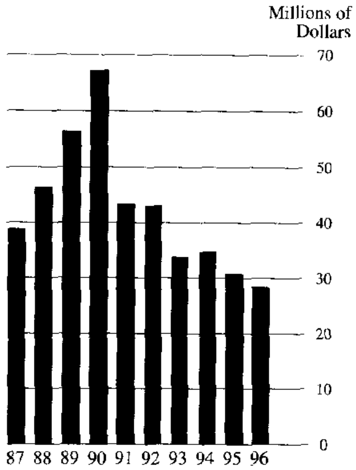
Capital Resources And Liquidity

Net capital expenditures in 1996 were $28.2 million which was less than the 1995 amount of $30.8 million. The Company plans to spend $31.4 million in 1997. The primary focus of the 1997 capital spending program will be to accommodate customer growth and to maintain the Company's distribution system. Construction of a small

Distribution of Revenue



Capital Expenditures



hydroelectric generating station on the southwest coast of the island of Newfoundland will begin in 1997 as well. The capital program for 1997 will be financed using internally generated funds.

In May 1996, the Company raised $40 million in long-term debt through the issue of a new series of First Mortgage Sinking Fund Bonds. These funds replaced short-term borrowings that were outstanding at the time and were also used to fund the capital expenditure program.

The Company paid a special common dividend of $15.5 million to Fortis Inc. in 1996. This reduced the ratio of average common equity in the capital structure from 47.9% in 1995 to 46.6% in 1996. A further reduction in the average common equity ratio is expected in 1997 as a result of this payment.

The Public Utilities Board has ruled that the regulated return on common equity be calculated on the basis of a maximum common equity ratio of 45%. In 1997, the ratio of average common equity in the capital structure is expected to be 45.2%.

Risk Analysis

The principal long term risk faced by the Company is that it may not in the future be able to recover the current and past expenses incurred in the delivery of electrical service. This risk is affected by a number of factors including general economic conditions in the Company's service territory, changes in the regulatory system and competition in the energy marketplace.

The Newfoundland economy is expected to decline in 1997. However, growth is expected to return in 1998. There have been some recent positive developments in the Company's service territory, including the announcement of the Voisey's Bay Nickel smelter and refinery site at Argentia and announcements concerning development of the Terra Nova and Whiterose oil fields.

A certain amount of regulatory risk is faced by all utilities. The Company operates under traditional rate of return regulation whereby rates to customers are based on recovery of costs. In the past, the Company has received generally fair and reasonable regulatory treatment and anticipates that this will continue. The Company is not currently engaged in any regulatory proceedings.

Following the hearing of the 1996 general rate application the Public Utilities Board stated a case for the Newfoundland Court of Appeal requesting the Court's opinion on a number of matters relating to the Public Utilities Board's regulatory jurisdiction over the Company. The principal issues raised concern the scope of the Public

Utilities Board's ability to define excess revenue and to disallow expenses on a retroactive basis. Arguments on the stated case by the Public Utilities Board, the Company and the Consumer Advocate were heard on March 11, 1997. The opinion of the Court of Appeal could result in a further hearing before the Public Utilities Board on these issues.

Regulation in other jurisdictions is changing and the Company is monitoring these developments in order to be prepared for the future within the Newfoundland regulatory environment. While the Company cannot predict what changes may occur in Newfoundland, the Company intends to remain an active participant in the provincial electrical marketplace.

In order to meet its customers' energy requirements, the Company purchases approximately 90% of its needs from Hydro. In the past the Company was unable to exercise any significant influence over the cost of this energy. With the proclamation into force of the *Electrical Power Control Act, 1994* in 1996, Hydro is now subject to full regulatory review by the Public Utilities Board. This enables the Company to exercise more effective influence over the cost of energy purchased from Hydro.

In the past several years, the Company has faced increased competition in the space heating market, particularly from oil companies. Recent increases in the cost of oil have made oil less competitive in this market.

MANAGEMENT REPORT

The accompanying financial statements of Newfoundland Light & Power Co. Limited and all information in the annual report, are the responsibility of management and have been approved by the Board of Directors. The financial statements include some amounts that are based on management's best estimates and judgements.

The financial statements have been prepared by management with accounting principles generally accepted in Canada. Financial information contained elsewhere in the annual report is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of the company are properly safeguarded. The effectiveness of these internal controls is evaluated on an ongoing basis by the external and internal auditors.

The Audit Committee reviews the annual financial statements and recommends their approval to the Board of Directors. The Committee meets with the internal and external auditors, with and without management present, to discuss the results of the audits, the adequacy of the internal accounting controls and financial reporting matters.

The financial statements have been audited by Deloitte & Touche, Chartered Accountants, and their report follows.

P. G. Hughes
Philip G. Hughes
President and
Chief Operating Officer

Karl Smith
Karl W. Smith
Vice President, Finance and
Chief Financial Officer

AUDITORS' REPORT

To the Shareholders,
Newfoundland Light & Power Co. Limited.

We have audited the balance sheets of Newfoundland Light & Power Co. Limited as at December 31, 1996 and 1995 and the statements of income, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1996 and 1995 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Deloitte & Touche
Chartered Accountants

St. John's, Newfoundland
February 7, 1997.

NEWFOUNDLAND LIGHT & POWER CO. LIMITED

(Incorporated under the laws of the Province of Newfoundland)

BALANCE SHEET AS AT DECEMBER 31, 1996

	1996	1995
	(in thousands)	
ASSETS		
Fixed Assets (Note 1)		
Property, plant and equipment	$ 816,257	$ 796,574
Less: accumulated depreciation	329,970	311,089
	486,287	485,485
Construction in progress	3,265	3,933
	489,552	489,418
Current Assets		
Accounts receivable	32,630	38,052
Income taxes receivable	-	806
Materials and supplies at average cost	4,293	4,236
Prepaid expenses	1,276	1,627
Rate stabilization account	3,893	4,488
	42,092	49,209
Corporate Income Tax Deposit (Note 10)	15,595	15,595
Deferred Charges (Note 2)	26,299	14,328
	$ 573,538	$ 568,550

SHAREHOLDERS' EQUITY AND LIABILITIES

	1996	1995
Shareholders' Equity		
Common shares (Note 3)	$ 70,321	$ 70,321
Earnings retained and invested in the business	155,836	164,458
Common shareholder's equity	226,157	234,779
Preference shares (Note 3)	9,890	9,890
	236,047	244,669
Long Term Debt (Note 4)	238,773	201,323
Current Liabilities		
Short term borrowings	19,878	43,870
Accounts payable and accrued charges	43,913	45,465
Income taxes payable	3,976	-
Dividends payable	4,844	4,739
Interest accrued on long term debt	4,144	3,658
Current instalments of long term debt	2,550	2,150
	79,305	99,882
Deferred Credits (Note 5)	19,413	22,676
	$ 573,538	$ 568,550

APPROVED ON BEHALF OF THE BOARD:

Director Director

See accompanying notes to financial statements.

NEWFOUNDLAND LIGHT & POWER CO. LIMITED
STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1996

	1996	1995
	(in thousands)	
Balance At Beginning Of Year	$ 164,458	$ 154,777
Net income for the year	25,770	28,233
	190,228	183,010
Dividends		
Preference shares	626	595
Common shares - regular	18,266	17,957
- special	15,500	-
	34,392	18,552
Balance At End Of Year	$ 155,836	$ 164,458

NEWFOUNDLAND LIGHT & POWER CO. LIMITED
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1996

	1996	1995
	(in thousands)	
Revenue from rates	$ 337,930	$ 335,334
Purchased power	192,114	191,081
Contribution	145,816	144,253
Other revenue	3,630	3,600
	149,446	147,853
Other expenses		
Operating expenses	54,735	54,865
Depreciation	26,314	28,896
Finance charges (Note 6)	24,010	22,739
	105,059	106,500
Income before income taxes	44,387	41,353
Income taxes (Note 7)	18,617	13,120
Net income for the year	25,770	28,233
Dividends on preference shares	626	595
Earnings applicable to common shares	$ 25,144	$ 27,638

See accompanying notes to financial statements.

NEWFOUNDLAND LIGHT & POWER CO. LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 1996

	1996	1995
	(in thousands)	
Cash from operations		
Net income for the year	$ 25,770	$ 28,233
Items not requiring (generating) cash		
Depreciation	26,314	28,896
Deferred income taxes	(1,385)	(2,636)
Weather normalization account	(1,571)	145
Amortization of deferred charges	795	822
Gain on redemption of preference shares	-	(87)
Change in non-cash working capital	10,132	(6,727)
	60,055	48,646
Corporate income tax deposit (Note 10)	-	(15,595)
	60,055	33,051
Cash from (used in) external financing		
Net proceeds from long term debt	39,486	-
Repayment of long term debt	(2,150)	(13,558)
Redemption of preference shares	-	(925)
	37,336	(14,483)
Cash from (used in) investing		
Capital expenditures (net)	(28,203)	(30,759)
Contributions in aid of construction	1,448	1,765
Increase in deferred charges	(12,252)	(1,946)
	(39,007)	(30,940)
Dividends		
Preference shares	(626)	(595)
Common shares - regular	(18,266)	(17,957)
- special	(15,500)	-
	(34,392)	(18,552)
Decrease (increase) in short term borrowings	23,992	(30,924)
Short term borrowings, beginning of year	(43,870)	(12,946)
Short term borrowings, end of year	$ (19,878)	$ (43,870)

See accompanying notes to financial statements.

NEWFOUNDLAND LIGHT & POWER CO. LIMITED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1996

SUMMARY OF ACCOUNTING POLICIES

General

Accounting policies conform to generally accepted accounting principles and to accounting requirements established from time to time by the Public Utilities Board.

Revenue

The Company's revenue is derived from the sale of electricity in the Province of Newfoundland.

Revenue is recognized on billings rendered monthly, on a cyclical basis, to customers.

Fixed Assets

Property, plant and equipment is stated at values approved by the Public Utilities Board as at June 30, 1966, with subsequent additions at cost. Maintenance and repairs are charged against revenue, while renewals and betterments are capitalized. The cost of plant and equipment retired, less net salvage, is charged to accumulated depreciation.

Depreciation

Depreciation is provided in the accounts on the straight line method based on estimated service life of plant and equipment, as approved by the Public Utilities Board. The composite rate is 3.7% (1995 - 3.9%) before reduction for the amortization of contributions in aid of construction, contributions from government and accrued depreciation reserve adjustments, which are being amortized over five years, as approved by the Public Utilities Board.

Pension Costs

Pension costs are actuarially determined using the projected benefit method prorated on service and management's best estimate assumptions. Adjustments arising from plan amendments, experience gains and losses, changes in actuarial assumptions and the difference between the actuarial present value of accrued pension obligations and the market value of pension plan assets are amortized on a straight-line basis over the expected average remaining service life of the employee group.

The cumulative difference between pension fund contributions and amounts recorded in the Company's accounts is recorded as deferred pension costs.

Interest Charged to Construction

On certain construction projects interest at varying rates as set out by the Public Utilities Board is capitalized and included as a cost in the appropriate property accounts.

Deferred Charges

Deferred charges are amortized as follows:

Debt discount and expense - over the life of each issue, except for realized exchange losses which are amortized, as approved by the Public Utilities Board, over 5 years ending 1997.

Capital stock issue expense - over a 20 year period from date of issue.

Demand side management programs - on a straight line basis over five years, as approved by the Public Utilities Board.

Rate Stabilization Account

The Company's rate schedule includes a rate stabilization clause which permits the Company to recover charges in the Rate Stabilization Account (the "Account") from customers. The rate is recalculated on July 1 of each year to reflect changes in the Account from year to year and any changes in the rates charged to the Company by Hydro as the result of the operation of its Rate Stabilization Plan.

Customer and Government Contributions

Contributions represent the cost of property, plant and equipment contributed by customers and governments. Certain contributions by the Province of Newfoundland carry conditional options allowing the Province to reacquire the plant so contributed. These accounts are being reduced annually by an amount equal to the charge for depreciation provided on the contributed portion of the cost of the assets involved.

Deferred Income Taxes

The Public Utilities Board by regulation specifies the method of accounting for income taxes. Commencing January 1, 1981, the Public Utilities Board allowed the tax allocation method with respect to the timing difference between depreciation and capital cost allowances for all depreciable assets. If the full tax allocation method of accounting had always been followed, the cumulative amount of the deferred income tax credit would have been increased by approximately $85.3 million to December 31, 1996 (1995 - $84.2 million).

Weather Normalization Account

The Public Utilities Board has ordered provision of a weather normalization account to adjust for the effect of variations in temperature and streamflow when measured against long term averages. The balance in the weather normalization account as at December 31, 1996, and the underlying calculations are subject to Public Utilities Board approval.

1. Fixed Assets

	December 31,1996 *(in thousands)*					December 31, 1995
	Cost	Accumulated Depreciation	Construction In Progress	Net Book Value	Composite Depreciation Rate	Net Book Value
Distribution	$ 461,984	$ 171,833	$ 445	$ 290,596	3.6%	$ 291,125
Substations	87,130	40,010	69	47,189	2.7%	46,310
Generation	85,221	41,351	552	44,422	2.1%	43,028
Buildings, furniture and equipment	62,535	25,269	997	38,263	5.2%	39,027
Transmission	70,725	27,330	610	44,005	3.4%	44,707
Transportation	19,497	12,353	442	7,586	10.8%	7,675
Telecommunications	19,409	11,824	150	7,735	7.6%	7,693
Land	9,756	-	-	9,756		9,853
	$ 816,257	$ 329,970	$ 3,265	$ 489,552	3.7%	$ 489,418

2. Deferred Charges

	1996	1995
	(in thousands)	
Unamortized debt discount and expense	$ 3,090	$ 3,240
Unamortized capital stock issue expense	937	1,067
Deferred pension costs	21,656	9,059
Demand side management programs	527	972
Other	89	(10)
	$ 26,299	$ 14,328

3. Capital Stock

Authorized

(a) an unlimited number of Class A and Class B Common Shares without nominal or par value. The shares of each class are inter-convertible on a share for share basis and rank equally in all respects including dividends. The Board of Directors may provide for the payment, in whole or in part, of any dividends to Class B shareholders by way of a stock dividend;

(b) an unlimited number of First Preference Shares without nominal or par value except that Series A, B, D and G First Preference Shares have a par value of $10 each;

(c) an unlimited number of Second Preference Shares without nominal or par value.

Issued and outstanding

Common shares		1996	1995
		(in thousands)	
10,320,270	Class A shares (1995 - 10,320,270)	$ 70,321	$ 70,321
First preference shares			
179,225	5 1/2% Series A	$ 1,792	$ 1,792
337,983	5 1/4% Series B	3,380	3,380
229,765	7 1/4% Series D	2,298	2,298
241,950	7.60% Series G	2,420	2,420
988,923	Preference shares (1995 - 988,923)	$ 9,890	$ 9,890

Preference shares
Series A, B, D and G first preference shares are cumulative redeemable voting shares.

Each series of first preference shares is redeemable at the option of the Company at a premium not in excess of the annual dividend rate. Series D and G first preference shares are subject to the operation of purchase funds and the Company has the right to purchase limited amounts of Series D and G at or below par.

4. Long Term Debt

		1996		1995
			(in thousands)	
First mortgage sinking fund bonds:				
11.50%	Series AB, due 2005	$ 14,100		$ 14,250
11.875%	Series AC, due 2007	35,870		36,270
10.55%	Series AD, due 2014	35,753		36,153
10.90%	Series AE, due 2016	38,000		38,400
10.125%	Series AF, due 2022	38,400		38,800
9.00%	Series AG, due 2020	39,200		39,600
8.90%	Series AH, due 2026	40,000		-
		241,323		203,473
Less: Current instalments		2,550		2,150
		$ 238,773		$ 201,323

The first mortgage 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.

Annual payments of $2,550,000 are required to meet sinking fund payments and instalments of long term debt in each of the next five years.

In accordance with new disclosure requirements of the Canadian Institute of Chartered Accountants, the estimated fair value of the Company's first mortgage bonds was $315.0 million at December 31, 1996 (1995 - $250.6 million). Fair market value was estimated using present value techniques based on borrowing rates at year end for debt with similar terms and maturities. The fair value estimate does not include exchange or settlement costs as the Company does not intend to retire the debt prior to maturity.

5. Deferred Credits

	1996		1995
		(in thousands)	
Contributions in aid of construction	$ 15,772		$ 15,207
Contributions from government	4,678		5,550
Deferred income taxes	1,668		3,053
Weather normalization account	(2,705)		(1,134)
	$ 19,413		$ 22,676

6. Finance Charges

	1996	1995
	(in thousands)	
Interest - Long-term debt	$ 24,123	$ 22,821
- Other	1,029	1,474
Amortization - Debt discount and expense	229	239
- Capital stock issue expense	130	147
Interest charged to construction	(256)	(262)
Interest earned	(1,245)	(1,680)
	$ 24,010	$ 22,739

7. Income Tax Rate

Taxes on income vary from the amount that would be determined by applying the combined statutory Canadian federal and Newfoundland provincial income tax rates to earnings. The following is a reconciliation of the combined statutory rates to the effective income tax rate.

	1996	1995
	%	%
Statutory income tax rate	43.1	43.0
Large corporations tax	1.7	2.1
General expenses capital	(4.0)	(6.4)
Plant dismantling costs	(2.0)	(2.7)
Pension costs	(2.7)	(11.8)
Timing differences not recorded	3.8	3.4
Other	2.0	4.1
Effective income tax rate	41.9	31.7

8. Pensions

The Company has a contributory defined benefit pension plan covering regular employees. The Plan provides pensions based on length of service and final average earnings.

The present value of the accrued pension benefits is $109.4 million (1995 - $105.9 million) and the value of the pension plan assets is $103.1 million (1995 - $75.5 million). The unfunded liability has not been provided for in the Company's accounts.

Pension costs charged to income and capital in 1996 was $5.3 million (1995 - $6.1 million).

9. Related Party Transactions

The Company is a wholly-owned subsidiary of Fortis Inc. Charges incurred during the year by the Company on transactions with Fortis Inc. and affiliated companies, net of expense recoveries, was $912,000 (1995 - $1,070,000) including interest expense of $331,000 (1995 - $111,000). Terms of these transactions were the same as those with unrelated parties. Accounts payable to Fortis Inc. and affiliates at December 31, 1996 amounted to $38,137 (1995 - $128,000). Short term borrowing from Fortis Inc. amounted to $ -0- at December 31, 1996 (1995 - $15,000,000).

10. Contingent Liability

During 1995, Revenue Canada reassessed the Company for the years 1988 to 1993 relative to the disallowance of certain amounts capitalized for regulatory and accounting purposes but claimed as an expense for income tax purposes. The reassessments also included in income the value of electricity rendered in December but not billed to customers until the subsequent month. The Company's practice, which has always been consistent and is in accordance with regulatory requirements, is to record revenue on a billed basis.

In management's opinion, the Company has reported its tax position appropriately. On October 12, 1995, the Company filed notices of objection to the reassessments with Revenue Canada. No provision has been made in the accounts for additional income taxes, if any, which may be determined to be payable. Should the Company be unsuccessful in defending its position, a liability of approximately $33.9 million, including interest to December 31,1996, would arise offset by approximately $16.6 million related to recording electricity revenue on the accrual basis, and the Company would make application to the Public Utilities Board for this amount to be considered in the rate setting process.

In accordance with provisions of the Income Tax Act, the Company paid $15,595,000, representing one-half of the amount in dispute, pending resolution of this matter.

CORPORATE GOVERNANCE REPORT

The Board acknowledges the importance of good corporate governance practices in the conduct of the Company's affairs. The following commentary summarizes the more significant principles, structures and processes which characterize the Company's approach to corporate governance.

Overall Board Responsibility

The Board appreciates, and by its conduct, has consistently demonstrated an awareness of its responsibility for the stewardship of the Company.

Composition of the Board

The Board has examined the relationships which exist between each director and the Company and has concluded that a majority of the current directors (seven) are "unrelated directors" in that they are independent of management and are free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the directors' abilities to act with a view to the best interests of the Company. Three of the 10 directors are not "unrelated directors". They are Messrs. Ryan and Hughes, who are members of management, and Mr. Marshall who is President and CEO of Fortis Inc..

With 10 members in 1996, the Board considered itself to be appropriately sized.

Independent Functioning of the Board

The Board considers itself able to function independently.

As described below under "Position Description for the Board and CEO," the Chairman of the Board will cease to be a member of management as of May 1997.

New Directors' Orientation Programme

Each new director takes part in an orientation session designed to provide a broad overview of the Company. As part of that process each new recruit is provided with:

1. a brief history of the Company;
2. a five-year financial record of the performance of the Company;
3. a copy of the current strategic plan for the Company;
4. copies of Board and committee minutes for the last year; and
5. management's assessment of the most important opportunities/problems currently facing the Company.

In addition, Board meeting agendas provide for senior executives to review the operating results of the Company and for managers to make presentations on departmental activities, on a rotational basis.

Position Descriptions For The Board And The CEO

Currently, the positions of Chairman of the Board and Chief Executive Officer ("CEO") of the Company are combined. It is intended, however, that through a management reorganization to take effect in May 1997, these functions will be separated and the CEO's responsibilities will be transferred to the President. As a result, the Chairman of the Board will no longer be a member of the Company's management. Position descriptions will be developed by the Nominating and Corporate Governance Committee in light of this change and differentiation between the duties and responsibilities of the CEO and the Board will be set out in the position descriptions.

Strategic Planning And Risk Management

There exists in the Company a strategic planning process led by management which culminates annually in management's presentation to the Board of a five-year strategic plan. The plan focuses on long term goals, identifies the principal opportunities and business risks confronting the Company in the pursuit of its goals and sets out the strategies and systems proposed to be employed to exploit the opportunities and manage the risks. The Board engages in an objective and detailed assessment of the plan and requests any changes or additions which the Board considers to be appropriate. After the plan has received Board approval, the Board monitors management's implementation of the plan.

Communications

The Board endeavors to ensure that Company communications provide full, plain and true disclosure of all material matters related to the business as required by regulatory authorities.

Use Of Committees

The Board annually appoints from amongst its members a number of standing committees. Each committee has a written mandate which sets out in detail the activities or areas of the Company's business to which the committee is required to devote its attention. With minor exceptions, decisions made by committees are brought to the full Board for approval. The Nominating & Corporate Governance Committee is composed of all "unrelated" directors. The four other committees, Audit, Pension, Human Resources and Environment have a majority of unrelated directors. Mr. Marshall serves on the Audit and Human Resources Committees and Mr. Hughes on the Pension and Environment Committees. The Board believes that it is in the interest of the Corporation to have Messrs. Marshall and Hughes serve on these committees because of the expertise that they bring.

Nominating And Corporate Governance Committee

The Nominating and Corporate Governance Committee of the Board is composed exclusively of non-management directors and its mandate provides that the Committee is responsible for, amongst other things:

1. proposing to the full Board new nominees for election to the Board;
2. carrying out processes specified by the Board for assessing the effectiveness of the Board as a whole and of each Board committee;

3. reviewing and making recommendations to the Board with respect to the adequacy and form of the compensation of directors;
4. developing and recommending to the Board, the Company's approach to corporate governance issues; and
5. approving the engagement of an outside expert or experts by an individual director at the Company's expense.

The Board believes that the pre-eminent consideration in corporate governance is the effectiveness of the Board as a whole. The Board does recognize the value of assessment of its work collectively and of the contribution of individual members of the Board. The Board is currently assessing potential means of conducting such assessments without creating dissension or a loss of cohesion in the Board.

Audit Committee

The Audit Committee of the Board, which is composed of a majority of unrelated directors, functions under a mandate which imposes on the Audit Committee responsibility for, amongst other things:

1. overseeing management reporting on internal controls; and
2. communicating regularly and directly with the external and internal auditors concerning matters of interest to the Audit Committee or the auditors.

In general, the Board relies on the Audit Committee to endeavour to ensure that the Company maintains the systems needed to manage the Company's business effectively and to generate reliably the information required by the Board to discharge its responsibilities.

Human Resources Committee

The mandate of the Human Resources Committee includes, amongst other things, the Committee's responsibility to advise and assist the Board and the CEO with respect to succession planning, including the compensation, selection and training of senior executives.

Environment Committee

The Environmental Committee is charged with the responsibility of monitoring the systems used to prevent damage to the environment and, at a minimum, ensure compliance with all regulations.

Conclusion

With the assistance of the Nominating and Corporate Governance Committee, members of the Board and Management continue to assess the effectiveness of the Board and its committees. At this time, the Board and Management are of the view that the principles, structures and processes summarized above combine to provide the Company with a high standard of corporate governance.

TEN YEAR SUMMARY

	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Income Statement Items (in thousands)										
Operating revenue (1)	**$341,560**	$338,934	$338,367	$333,570	$330,221	$319,143	$307,076	$277,895	$265,870	$248,579
Operating expenses	**246,849**	245,946	239,707	236,307	237,345	230,423	222,610	202,512	193,380	181,408
Finance charges (1)	**24,010**	22,739	22,972	22,494	21,628	21,485	20,357	17,646	17,870	16,151
Depreciation	**26,314**	28,896	28,141	26,921	25,878	24,555	24,046	20,955	19,046	17,362
Income taxes	**18,617**	13,120	19,745	18,666	15,708	14,881	13,828	12,336	13,342	13,162
Earnings applicable to common shares	**25,144**	27,638	27,090	27,702	27,731	25,483	23,775	21,895	19,548	17,695
Balance Sheet Items (in thousands)										
Property, plant and equipment	**819,522**	800,507	776,792	746,132	718,712	685,004	649,288	587,647	536,591	494,934
Accumulated depreciation	**329,970**	311,089	287,392	262,912	241,001	220,104	200,503	180,532	163,671	148,051
Net fixed assets	**489,552**	489,418	489,400	483,220	477,711	464,900	448,785	407,115	372,920	346,883
Total assets	**573,538**	566,550	552,972	549,164	547,034	522,075	500,025	455,528	419,277	389,675
Long term debt	**241,323**	203,473	217,031	218,906	221,181	197,686	163,154	178,239	140,552	153,818
Preference shares	**9,890**	9,890	10,902	10,905	22,296	29,889	30,938	32,595	33,670	34,876
Common equity	**226,157**	234,779	225,098	226,054	212,904	199,082	187,814	162,143	152,518	133,741
Total capital	**477,370**	448,142	453,031	455,865	456,381	426,657	381,906	372,977	326,740	322,435
Operating Statistics										
Sources of Energy (in millions of kWh)										
Purchased	**4,236**	4,186	4,178	4,093	4,066	4,008	4,008	3,772	3,606	3,303
Generated	**423**	423	420	420	417	417	411	415	415	415
Total	**4,659**	4,609	4,598	4,513	4,483	4,425	4,419	4,187	4,021	3,718
Sales (*in millions of* kWh)										
Residential	**2,635**	2,600	2,594	2,540	2,509	2,462	2,404	2,254	2,124	1,985
Commercial and street lighting	**1,790**	1,782	1,777	1,746	1,735	1,734	1,770	1,706	1,649	1,531
Total	**4,425**	4,382	4,371	4,286	4,244	4,196	4,174	3,960	3,773	3,516
Customers (year-end)										
Residential	**179,375**	177,431	175,797	172,942	170,418	167,217	164,019	160,537	156,907	153,075
Commercial and street lighting	**30,786**	30,349	29,919	29,304	28,874	28,513	28,346	28,038	27,148	26,537
Total	**210,161**	207,780	205,716	202,246	199,292	195,730	192,365	188,575	184,055	179,612
Annual degree days - % normal	**94**	101	101	107	108	107	102	101	98	99
Number of employees	**805**	805	807	815	950	957	984	963	926	914

(1) Interest on overdue customer accounts has been reclassified from miscellaneous revenue to interest earned. Historical data from 1987 - 1988 has been restated to reflect this change.

INVESTOR INFORMATION

Head Office
55 Kenmount Rd., P.O. Box 8910
St. John's, Newfoundland, A1B 3P6
(709) 737-5600

Share Transfer Agent and Registrar
Montreal Trust Company, St. John's
Montreal, Toronto

Montreal Trust Company
P.O. Box 1900, Station B
Montreal, Quebec, H3B 3L6

Shareholders requiring changes to share registrations should contact Montreal Trust Company.

Marketing Trading
Preference Shares Series A,B, and D are traded on the Montreal Exchange.

Annual Meeting - 1997
Main Boardroom
Newfoundland Light & Power Co. Limited
55 Kenmount Road, 3rd. Floor
St. John's, Newfoundland, on
Tuesday, May 13, 1997 at 11:00 a.m.

Investor Information
Peter Alteen
Secretary
P.O. Box 8910
St. John's, Newfoundland
A1B 3P6
(709) 737-5859

CORPORATE DIRECTORY

DIRECTORS

FRANK J. COLEMAN * ■
President
Coleman Management Service Ltd.

GILBERT G. DALTON * ●
Executive Vice-President
Baine Johnston & Co. Ltd.

DERRICK E. GILL ◆ ●
Executive Vice President
Voisey's Bay Nickel Company Ltd.

PHILIP G. HUGHES + ■ (2)
President & Chief Operating Officer
Newfoundland Power

LINDA L. INKPEN ◆ ●
Medical Practitioner

JANET KELLY + ■
President
McGrath-Kelly Company Incorporated

H. STANLEY MARSHALL * ●
President & Chief Executive Officer
Fortis Inc.

JOHN E. MOORE + ◆
President
Cabot Bakery

AIDAN F. RYAN(5)
Chairman & Chief Executive Officer
Newfoundland Power

HAROLD L. WAREHAM * +
President & Chief Executive Officer
Atlantis Corporation Ltd.

* Audit Committee
■ Environment Committee
◆ Nominating and Corporate Governance Committee
+ Pension Committee
● Human Resources Committee

OFFICERS

PETER ALTEEN
Corporate Counsel & Secretary

MARDON J. ERBLAND
Vice President, Customer Service

JOHN G. EVANS
Vice President, Engineering & Energy Supply

RAYMOND F. GOSINE(1)
Vice President & Corporate Secretary

PHILIP G. HUGHES(2)
President & Chief Operating Officer

EARL A. LUDLOW(3)
Vice President, Operations

W. WALLACE PINHORN(4)
Vice President, Technical Services

AIDAN F. RYAN(5)
Chairman & Chief Executive Officer

KARL W. SMITH
Vice President, Finance & Chief Financial Officer

KEVIN S. WARR(6)
Chief Financial Officer

(1) Mr. Gosine retired in December 1996.
(2) Mr. Hughes was appointed President and Chief Operating Officer in January 1997.
(3) Mr. Ludlow's appointment is effective March 1997.
(4) Mr. Pinhorn retired in February 1997.
(5) Mr. Ryan retired as President in December 1996.
(6) Mr. Warr retired in September 1996.

AFFIDAVIT

PROVINCE OF NEWFOUNDLAND

CITY OF ST. JOHN'S

TO WIT:

I, Karl Smith of St. John's do swear that I am Vice President, Finance and Chief Financial Officer of Newfoundland Light & Power Co. Limited (the "Company") and have a personal knowledge of the system of books, accounts, papers and records of the Company; that the attached returns, 1 to 19 inclusive (return number 1 being the Company's annual report to shareholders, together with the report of the auditors) have been compiled under my direction from the system of books, accounts, papers and records of the Company; that I have carefully examined the financial statements contained in return number 1 and that they are in accord with the system of books, accounts, papers and records of the Company; and, that the allegations of fact made in return number 1 are true, to the best of my knowledge, information and belief.

SWORN to at St. John's this
27th day of March, 1997 before
me:

Peter Ayre
a barrister, etc.

Karl Smith
Karl Smith

Newfoundland Light & Power Co. Limited
Names and Addresses of Officers and Directors
as of December 31, 1996

Name	Address	Position Held
Peter Alteen	17 Burton St. St. John's, NF A1E 5M1	Corporate Counsel and Assistant Secretary
Frank J. Coleman	25 Hamilton Place Corner Brook, NF A2H 7C1	Director
Gilbert G. Dalton	147 1/2 Elizabeth Avenue St. John's, NF A1B 1S2	Director
Mardon J. Erbland	Box 50537, S.S. #3 St. John's, NF A1B 4M2	Vice President, Corporate and Employee Services
John G. Evans	36 Baker Street St. John's, NF A1A 5C3	Vice President, Customer Service
Derrick E. Gill	98 Waterford Bridge Road St. John's, NF A1E 1C8	Director
Raymond F. Gosine	24 Abraham Street St. John's, NF A1B 2P6	Vice President and Corporate Secretary

Newfoundland Light & Power Co. Limited
Names and Addresses of Officers and Directors
as of December 31, 1996

Name	Address	Position Held
Philip G. Hughes	94 Waterford Bridge Road St. John's, NF A1E 1C6	Director
Linda L. Inkpen	P. O. Box 432 R. R. #1 St. Phillips, NF A1L 1C1	Director
Janet Kelly	Box 6, R. R. #1 Portugal Cove, NF A0A 3K0	Director
H. Stanley Marshall	19 Conway Crescent St. John's, NF A1A 2A8	Director
John E. Moore	23 Dunn Place Grand Falls - Windsor, NF A2A 2M2	Director
W. Wallace Pinhorn	3 Pearson Street St. John's, NF A1A 2L7	Vice President, Technical Services
Aidan F. Ryan	31 McNeilly Street St. John's, NF A1B 1Y9	Director, Chairman, President and Chief Executive Officer

Newfoundland Light & Power Co. Limited
Names and Addresses of Officers and Directors
as of December 31, 1996

Name	Address	Position Held
Karl W. Smith	45 Hyde Park Drive St. John's, NF A1A 5G3	Vice President, Finance and Chief Financial Officer
Harold L. Wareham	156 Portugal Cove Road Apt. 605 St. John's, NF A1B 4H9	Director

Newfoundland Light & Power Co. Limited
Computation of Rate Base
For The Year Ended December 31, 1996
(000's)

	1996	1995
Plant Investment - Return 4	$ 816,257	$ 796,574
Deduct:		
Accumulated Depreciation - Return 5	329,970	311,089
Contributions in Aid of Construction - Return 9	20,450	20,757
Deferred Income Taxes - Return 6	1,668	3,053
Weather Normalization Reserve - Return 14	(2,705)	(1,133)
	349,383	333,766
	466,874	462,808
Add:		
Contributions - Country Homes	267	245
	467,141	463,053
Average	465,097	461,629
Cash Working Capital Allowance - Return 7	4,527	4,442
Materials and Supplies - Return 7A	3,498	3,605
Average Rate Base at Year End - Return 10	**$ 473,122**	**$ 469,676**

Newfoundland Light & Power Co. Limited
Plant Investment
For The Year Ended December 31, 1996
(000's)

	Balance January 1, 1996	Adjustments During 1996	Additions During 1996	Retirements During 1996	Balance December 31, 1996
Power Generation:					
Steam	$ 6,121	$ -	$ -	$ 1,115	$ 5,006
Hydro	65,857	-	1,849	140	67,566
Diesel	4,043	-	-	-	4,043
Gas Turbine	7,904	-	964	262	8,606
	83,925	-	2,813	1,517	85,221
Substations	81,724	(135)	1,939	435	83,093
Transmission	66,663	-	2,085	214	68,534
Distribution	430,847	8	17,685	3,828	444,712
General Properties	40,767	-	661	2,077	39,351
Transportation	20,064	-	1,018	1,585	19,497
Communications	18,031	-	1,380	2	19,409
Computer Software	14,414	110	878	-	15,402
Computer Hardware	5,608	-	954	2	6,560
Government Contributions	23,848	25	-	-	23,873
PCB Disposal	849	-	-	-	849
Total Depreciable Plant	786,740	8	29,413	9,660	806,501
Non Depreciable Land	9,834	-	-	78	9,756
	$ 796,574	$ 8	$ 29,413	$ 9,738	
Plant Investment - Returns 1 and 3					$ 816,257
Work in Progress					3,265
Total Plant Investment					**$ 819,522**

Newfoundland Light & Power Co. Limited
Capital Expenditure
For The Year Ended December 31, 1996
(000's)

	Approved By Board Order	Actual	Variance Over (Under)
Energy Supply	$ 2,360	$ 2,061	$ (299)
Substations	1,224	1,179	(45)
Transmission	1,758	1,634	(124)
Distribution	12,336	11,448	(888)
General Property	1,711	1,584	(127)
Transportation	1,788	1,273	(515)
Telecommunications	943	930	(13)
Computing Equipment	2,340	2,105	(235)
General Expenses Capital	6,498	6,556	58
	$ 30,958	$ 28,770	$ (2,188)

Newfoundland Light & Power Co. Limited
Accumulated Depreciation
For The Year Ended December 31, 1996
(000's)

(A) Balance - January 1, 1996	$	311,089
Add:		
Depreciation - Appropriated from Income		26,314
Amortization of Contributions - Government		897
Amortization of Contributions - Customers		857
Salvage		2,031
		30,099
Deduct:		
Cost of Removal (Net of Income Tax)		1,478
Retirements		9,740
		11,218
(B) Balance - December 31, 1996 - Return 3	**$**	**329,970**

(C) Depreciation Rates - 1996	Before True-up	After True-up
Steam	0.00%	0.00%
Hydro	2.02%	2.02%
Diesel	3.55%	0.76%
Gas Turbine	3.55%	-1.71%
Substations	2.75%	0.72%
Transmission	3.38%	5.05%
Distribution	3.62%	3.62%
General Properties	2.80%	3.60%
Transportation	10.84%	6.63%
Telecommunications	7.57%	7.57%
Computer Software	10.00%	7.40%
Computer Hardware	20.00%	20.00%

(D) Percentage of Accumulated Depreciation to Total Depreciable Plant : 40.91%

(E) Percentage of Current Depreciation, Including the Provision for True-up and Amortization of Contributions, to Total Depreciable Plant : 3.48%

Newfoundland Light & Power Co. Limited
Accumulated Deferred Income Tax
For The Year Ended December 31, 1996
(000's)

Balance - January 1, 1996			$	3,053
Increase for the Year - Timing Differences:				
CCA Claimed on all property, plant and equipment	$	19,615		
Depreciation expense on all property, plant and equipment (GEC excluded from post-1986 additions)		23,063		
		(3,448)		
Income Tax @ 42.0%				(1,448)
Adjustment arising from completion of 1995 Income Tax Return				63
Balance - December 31, 1996 - Return 3			**$**	**1,668**

Newfoundland Light & Power Co. Limited
Working Capital
For The Year Ended December 31, 1996
(000's)

(A) Calculation of Cash Working Capital Allowance

Operating Expenses for the Year - Return 12	$ 246,849
Less: Non Regulated Expenses (Net of Income Tax)	531
	246,318
Add: Current Income Tax Expense - Return 18	20,002
	$ 266,320
1996 Working Capital Allowance (@ 1.7%) - Return 3	**$ 4,527**
1995 Working Capital Allowance $ 4,442	

(B) In general the Company's billing and collection procedures are consistent with the preceding year.

Newfoundland Light & Power Co. Limited
Materials and Supplies
For The Year Ended December 31, 1996
(000's)

		1996			1995		
		Balance Sheet	Expansion	Rate Base	Balance Sheet	Expansion	Rate Base
Materials and Supplies -	Jan.	$ 4,156	$ 761	$ 3,395	$ 4,456	$ 815	$ 3,641
	Feb.	4,134	757	3,377	4,493	822	3,671
	Mar.	4,261	780	3,481	4,476	819	3,657
	Apr.	4,558	834	3,724	4,560	834	3,726
	May	4,411	807	3,604	4,627	847	3,780
	Jun.	4,216	772	3,444	4,542	831	3,711
	Jul.	4,239	776	3,463	4,462	817	3,645
	Aug.	4,228	774	3,454	4,277	783	3,494
	Sep.	4,342	795	3,547	4,337	794	3,543
	Oct.	4,370	800	3,570	4,354	797	3,557
	Nov.	4,170	763	3,407	4,136	757	3,379
	Dec.	4,293	786	3,507	4,236	775	3,461
				$41,973			$43,265
Materials and Supplies Monthly Average - Return 3				**$ 3,498**			**$ 3,605**

Newfoundland Light & Power Co. Limited
Deferred Expenses
For The Year Ended December 31, 1996
(000's)

	Balance January 1, 1996	Additions During 1996	Amortization During 1996	Balance December 31, 1996
Debt Discount & Expenses*	$ 3,241	$ 514	$ 665	$ 3,090
Capital Stock Issue Expense	1,067	-	130	937
Deferred Pension Costs	9,059	12,597	-	21,656
Demand Side Management Programs	972	-	445	527
Other Deferred Charges**	(11)	100		89
Deferred Expenses - Return 1	**$ 14,328**	**$ 13,211**	**$ 1,240**	**$ 26,299**

* Includes Exchange Loss on Redemption of Series "U" Bonds of $2.2 million less amortization of $1.8 million.

** Other Deferred Charges includes deferred work orders.

Newfoundland Light & Power Co. Limited
Contributions In Aid Of Construction
For The Year Ended December 31, 1996
(000's)

		Customers	Government	Total
(A)	Gross Contributions - January 1, 1996	$ 25,561	$ 22,349	$ 47,910
	Less: Amortization to December 31, 1995	10,354	16,799	27,153
	Unamortized Contributions - January 1, 1996	15,207	5,550	20,757
	Repayment of Contribution	-	(110)	(110)
	Contributions Received During 1996	1,422	135	1,557
	Less: Amortization - 1996	857	897	1,754
		565	(872)	(307)
(B)	Balance: December 31, 1996 - Return 3	**$ 15,772**	**$ 4,678**	**$ 20,450**

Newfoundland Light & Power Co. Limited
Amortization of Contributions In Aid Of Construction - Customers
For The Year Ended December 31, 1996
(000's)

	Gross Contributions	Amortized During 1996	Amortized To Date	Unamortized Contributions
Prior 1965	$ 797	$ -	$ 797	$ -
1965	202	-	202	-
1966	348	-	348	-
1967	233	1	233	-
1968	223	7	223	-
1969	329	12	320	9
1970	234	8	221	13
1971	201	7	183	18
1972	150	5	132	18
1973	512	18	437	75
1974	537	19	446	91
1975	760	27	613	147
1976	430	16	331	99
1977	657	24	483	174
1978	431	16	302	129
1979	536	19	389	147
1980	655	24	427	228
1981	653	24	397	256
1982	693	25	392	301
1983	1,090	39	577	513
1984	849	31	408	441
1985	1,090	39	484	606
1986	1,010	36	410	600
1987	936	34	344	592
1988	1,493	54	484	1,009
1989	1,774	64	511	1,263
1990	1,411	51	356	1,055
1991	1,421	51	307	1,114
1992	1,720	62	310	1,410
1993	997	144	144	853
1994	1,314	-	-	1,314
1995	1,875	-	-	1,875
1996	1,422	-	-	1,422
	$ 26,983	**$ 857**	**$ 11,211**	**$ 15,772**

Newfoundland Light & Power Co. Limited
Return on Rate Base
For The Year Ended December 31, 1996
(000's)

		1996	1995
(A)	Net Income - Return 1	$ 25,770	$ 28,233
	Non Deductible Expenses - Net of Income Tax	531	407
		26,301	28,640
	Add:		
	Interest on Long Term Debt *	24,123	22,821
	Other Interest	1,029	1,474
	Interest Earned	(1,245)	(1,680)
	Interest Charged to Construction	(256)	(262)
	Amortization of Debt Discount & Expenses	229	239
	Amortization of Capital Stock Issue Expenses	130	147
		24,010	22,739
(B)	Regulated Earnings	50,311	51,379
(C)	Average Rate Base - Return 3	473,122	469,676
(D)	Rate of Return on Average Rate Base	**10.63%**	**10.94%**

* Includes Amortization of Loss on Foreign Exchange

Newfoundland Light & Power Co. Limited
Analysis of Revenue - Normalized
For The Year Ended December 31, 1996

		1996			1995		
		Megawatt Hours	Year End Customers	Revenue (000's)	Megawatt Hours	Year End Customers	Revenue (000's)
Residential	1.1	2,634,638	179,375	$ 199,668	2,600,040	177,431	$ 197,063
General Service:							
0 - 10 KW	2.1	89,409	11,291	9,870	89,467	11.117	9,832
10 - 100 KW	2.2	538,091	7,884	45,901	542,034	7,956	46,599
110 - 1000 KVA	2.3	783,985	950	51,612	778,663	926	51,251
over 1000 KVA	2.4	340,542	29	18,137	332,973	31	17,790
Street & Area Lighting	4.1	38,458	10,632	10,502	38,895	10,319	10,525
Forfeited Discounts				2,240	-		2,274
Revenue From Rates - Return 1		4,425,123	210,161	$ 337,930	4,382,072	207,780	$ 335,334
Wheeling				385	-	-	394
Non Electrical				3,245	-	-	3,206
Other Revenue - Return 1				$ 3,630			$ 3,600
Total		**4,425,123**	**210,161**	**$ 341,560**	**4,382,072**	**207,780**	**$ 338,934**

Newfoundland Light & Power Co. Limited
Statement of Expenses
For The Year Ended December 31, 1996
(000's)

	1996	1995
Operating Expenses		
Purchased Power	$ 192,114	$ 191,081
Power Produced	2,263	2,212
Miscellaneous Operations	7,959	8,277
Environmental Policy	395	949
Substations	2,097	2,176
Transmission	859	577
Distribution	7,403	8,312
Communications	1,593	1,539
	214,683	215,123
General Expenses		
Customer Accounting	7,657	7,450
Corporate Accounting	1,150	1,143
Corporate Planning & Energy Management	4,261	4,063
Management Information Systems	3,735	4,046
Human Resources & Employee Related Costs	9,221	10,745
Administration	8,042	5,785
Taxes & Assessments	105	1,292
Property Maintenance	1,543	1,606
DSM Expensed Costs	369	392
Uncollectible Bills	1,400	1,693
	37,483	38,215
Total Operating & General Expenses	252,166	253,338
Less: Transfers to DSM (1995 only), GEC & Stores	5,317	7,392
Total - Return 1	**$ 246,849**	**$ 245,946**

Newfoundland Light & Power Co. Limited
Explanation of Significant Operating Expense Variances
For The Year Ended December 31, 1996
(1996 vs 1995)
(000's)

	1996	1995	Increase (Decrease)
Purchased Power	$ 192,114	$ 191,081	$ 1,033

A 1.0% increase in energy sales from 1995 to 1996 resulted in a $3.1 million increase in purchased power expense on a weather adjusted basis. This was, however, partly offset by a $2.0 million pre-tax transfer from the Hydro Equalization Reserve because of below average production during 1996.

	1996	1995	Increase (Decrease)
Miscellaneous Operations	7,959	8,277	(318)

1995 expenses include an amount of $400,000 which represents the operating portion of the lump sum payment to union employees on signing of the union contract. The contract does not provide for any base pay increases.

	1996	1995	Increase (Decrease)
Environmental Policy	395	949	(554)

In 1995, significant PCB destruction and decontamination work was undertaken in relation to PCB phaseout and disposal. This resulted in increased expenditures paid to external contractors in 1995.

	1996	1995	Increase (Decrease)
Transmission	859	577	282

In 1996 the Company increased its transmission line vegetation management expenditures, particularly the spraying component, which is undertaken to maximize benefits from previous cutting programs

Newfoundland Light & Power Co. Limited
Explanation of Significant Operating Expense Variances
For The Year Ended December 31, 1996
(1996 vs 1995)
(000's)

	1996	1995	Increase (Decrease)
Distribution	7,403	8,312	(909)

The major contributing factor to the decline in distribution costs is a reduction in unscheduled distribution line maintenance repair costs of $776,000 resulting from less outages in 1996 compared to 1995.

	1996	1995	Increase (Decrease)
Customer Accounting	7,657	7,450	207

Emphasis on credit and collections activity during 1996 accounted for a $117,000 increase in labour and a $154,000 increase in non-labour costs. Benefits resulted to the Company from a reduction in bad debt expenses of $293,000 in 1996 (see "Uncollectible Bills" below) and a reduction in year end accounts receivable of $5.4 million.

	1996	1995	Increase (Decrease)
Corporate Planning & Energy Management	4,261	4,063	198

The increase in 1996 expenses is a direct result of additional labour and consulting costs associated with the 1996 rate hearing.

	1996	1995	Increase (Decrease)
Management Information Systems	3,735	4,046	(311)

This reduction is the result of lower hardware rental and maintenance costs, lower software support and maintenance costs, and more staff time spent on the Human Resources/Payroll Software Integration Capital Project. This project will result in increased savings from efficiencies of maintaining one combined system as opposed to separate human resources and payroll systems.

Newfoundland Light & Power Co. Limited
Explanation of Significant Operating Expense Variances
For The Year Ended December 31, 1996
(1996 vs 1995)
(000's)

	1996	1995	Increase (Decrease)
Human Resources & Employee Related Costs	9,221	10,745	(1,524)

Earnings by the pension fund on the additional 1996 funding of $9.8 million, resulted in a reduction in pension expense for 1996 in the amount of $784,000.

Retirement allowances paid during the 1993 early retirement program were written off over a two year period ending in mid-1995. The amount included in 1995 expenses was $665,000.

	1996	1995	Increase (Decrease)
Administration	8,042	5,785	2,257

The Company revised its short term incentive plan in 1996, to a plan that provides for incentive payouts to both union and management employees based on actual results in relation to pre-defined targets. The new collective agreement negotiated in 1996 resulted in inclusion of union employees in the plan, while avoiding base pay increases. This change, combined with better performance against targets in 1996 resulted in an increase in payouts of $1.1 million over 1995.

Costs associated with the retirement and termination of senior management staff in 1996 totalled approximately $100,000.

The remaining increase over 1995 is comprised of fees and expenses incurred in conjunction with the 1996 rate hearing.

	1996	1995	Increase (Decrease)
Taxes & Assessments	105	1,292	(1,187)

In 1995 the Company was assessed Retail Sales Tax retroactive to 1990. This assessment accounts for approximately $768,000 of the $1.2 million reduction from 1995 to 1996.

The remainder of the decrease was the result of a reduction in the PUB assessment rate from 1.7 to 2.4 mils in 1996, retroactive to 1995.

Newfoundland Light & Power Co. Limited
Explanation of Significant Operating Expense Variances
For The Year Ended December 31, 1996
(1996 vs 1995)
(000's)

	1996	1995	Increase (Decrease)
Uncollectible Bills	**1,400**	**1,693**	**(293)**

Bad debts were reduced as a direct result of additional emphasis on credit and collections activity during 1996.

	1996	1995	Increase (Decrease)
Transfers to DSM, GEC & Stores	**5,317**	**7,392**	**(2,075)**

Transfers to DSM, GEC & Stores for 1995 and 1996 are broken down as follows:

	1996	1995	
DSM	-	374	(374)
GEC	5,192	6,892	(1,700)
Stores	125	126	(1)
	5,317	7,392	(2,075)

DSM deferrals were discontinued as of January 1, 1996, as approved by the PUB in Board Order P.U. 7 (1996-97)

Transfers to GEC declined from 1995 to 1996 by $1.2 million due to the phase-in of the incremental method of accounting for general expenses capital, as approved by the PUB in Board Order P.U. 3 (1995-96). The remaining decline results from the $2.2 million decrease in gross operating expenses (excluding purchased power costs) from 1995 to 1996. GEC is recorded as a fixed percentage of operating expenses, hence a reduction in the base upon which it is applied has resulted in reduced GEC.

Newfoundland Light & Power Co. Limited
Production and Sales Statistics - Normalized
For The Year Ended December 31, 1996

	1996	1995
Megawatt Hours - Purchased	4,236,338	4,186,353
Megawatt Hours - Produced	422,600	423,100
Total Purchased and Produced	4,658,938	4,609,453
Megawatt Hours - Sold & Used	4,438,263	4,396,517
Megawatt Hours - Losses	220,675	212,936
Losses Expressed as %	**4.7%**	**4.6%**

Newfoundland Light & Power Co. Limited
Weather Normalization Reserve
For The Year Ended December 31, 1996
(000's)

Degree Day Normalization Reserve

Revenue Adjustment		
Heating Degree Days	$	4,169
Cooling Degree Days		(1)
Wind Speed Adjustments		957
Total Revenue Adjustment	$	5,125
Less : Power Purchased Adjustment		
Heating Degree Days		3,724
Cooling Degree Days		(1)
Wind Speed Adjustments		779
Total Power Purchased Adjustment		4,502
Net Adjustment (Before Tax)	$	624
Less: Income Tax @ 42%		262
Data Entry Error, Dec. 31, 1996 - Corrected Jan., 1997		(1)
Net Transfer (To) From Reserve	**$**	**363**

Hydro Production Equalization Reserve

Transfer (To) From Reserve (Before Tax)	$	2,084
Less: Income Tax @ 42%		875
Net Transfer (To) From Reserve		**1,209**

Net Transfer (To) From Weather Normalization Reserve	**$**	**1,572**

	General Ledger Accounts		
	Hydro Production Equalization Reserve Dr (Cr) (Acct # 27400)	Degree Day Normalization Reserve Dr (Cr) (Acct # 27500)	
Balance of Reserve - December 31, 1995	4,420	(3,287)	1,133
Net Transfer	1,209	363	1,572
Balance of Reserve - December 31, 1996	**5,629**	**(2,924)**	**2,705**

Newfoundland Light & Power Co. Limited
Rate Stabilization Account
For The Year Ended December 31, 1996
(000's)

Month	Opening Balance	Revenue Billed During Month	Municipal Taxes	Excess Fuel Costs	Secondary Energy Costs	Interest Costs	Curtailable Rates	Transfer To (From) Nfld. Hydro	Closing Balance
January	$ 314	$ 112	$ -	$ 3	$ 3	$ 2	$ -	$ (230)	$ 204
February	204	101	-	3	-	1	-	(192)	117
March	117	92	-	2	(1)	1	-	(200)	11
April	11	89	-	4	-	(1)	-	(163)	(60)
May	(60)	74	-	6	-	(1)	-	(143)	(124)
June	(124)	63	-	4	-	(1)	-	(117)	(175)
July	(175)	(160)	-	9	-	(2)	-	130	(198)
August	(198)	(142)	-	5	-	(3)	-	127	(211)
September	(211)	(149)	-	2	(1)	(2)	-	142	(219)
October	(219)	(178)	-	7	-	(2)	-	179	(213)
November	(213)	(218)	-	5	-	(2)	-	211	(217)
December	(217)	(238)	(115)	3	(8)	(2)	116	236	(225)
		(554)	(115)	53	(7)	(12)	116	(20)	

Newfoundland Light & Power Co. Limited
Cost of Embedded Debt
For The Year Ended December 31, 1996
(000's)

	December 31, 1996	December 31, 1995	Total
Bonds	$ 241,323	$ 203,473	$ 444,796
Bank Loans	20,016	44,774	64,790
Other	23	40	63
	$ 261,362	$ 248,287	$ 509,649
Average Debt			$ 254,825
Interest Expense - 1996 *			$ 24,085
Cost of Embedded Debt			**9.45%**

*** Interest Expense - 1996**

Interest on Long Term Debt	$ 24,123
Bank & Other Interest	1,029
Amortization of Debt Discount & Expense	229
	25,381
Less: Interest on Customer Deposits	51
Interest Earned	1,245
Interest Expense - 1996	**$ 24,085**

Newfoundland Light & Power Co. Limited
Capital Structure
For The Year Ended December 31, 1996
(000's)

	Average		Year-End	
	Amount	Percent	Amount	Percent
Debt - Return 16	$ 254,825	51.46%	$ 261,362	52.54%
Preference Shares - Return 1	9,890	2.00%	9,889	1.99%
Common Equity - Return 1	230,468	46.54%	226,157	45.47%
	$ 495,183	**100.00%**	**$ 497,408**	**100.00%**

Newfoundland Light & Power Co. Limited
Regulated Average Capital & Deemed Equity
For The Year Ended December 31, 1996
(000's)

	Before Deeming		After Deeming	
	Amount	Percent	Amount	Percent
Debt - Return 16	$ 254,825	51.19%	$ 254,825	51.19%
Preference Shares - Return 1	9,890	1.99%	9,890	
Excess Common Equity			9,074	
Deemed Preferred Equity			18,964	3.81%
Common Equity - Return 19	233,083	46.82%	224,009	45.00%
	$ 497,798	**100.00%**	**$ 497,798**	**100.00%**

Newfoundland Light & Power Co. Limited
Calculation of Taxable Income and Income Tax Expense
For The Year Ended December 31, 1996
(000's)

Net Income			$ 25,770
Add:	Income Tax - Current	$ 19,135	
	- Deferred	(1,385)	
	- Adjustments to Prior Years	(271)	
	- Weather Normalization	1,138	
			18,617
Net Income Before Income Taxes			44,387
Add:	Depreciation	26,314	
	Amortization of Debt Discounts & Expenses	130	
	Amortization of Capital Stock Issue Expenses	229	
	Amortization of Exchange Loss - Series "U" Bonds	436	
	Business Meals & Related Expenses	137	
	Special Pension Liability	87	
	Amortization of Prior Years' DSM Expenses	446	
	Non-deductible Expenses	35	
	Loss on Investment - Power Smart	50	
	Small Tools in Excess of $200	135	
	Transferred from Weather Normalization Reserve	(2,708)	
			25,291
			69,678
Less:	Capital Cost Allowance	19,615	
	Cumulative Eligible Capital	27	
	General Expenses Capitalized	4,166	
	Interest Charged to Construction	256	
	Expenses Re: Issue of Bonds	308	
	Difference in Pension Funding and Accounting Costs	2,797	
	Deduction Re: Dividends on Taxable Preferred Shares (Part 6.1 Tax)	3,915	
			31,084
Taxable Income			**$ 38,594**
	Income Tax - Part 1 @ 42%		16,209
	- Part 1.3 Large Corporation Tax		1,186
	- Part 6.1 Taxable Preferred Shares		1,740
			19,135
	Adjustment to Prior Years		(271)
	Adjustment for Weather Normalization		1,138
Current Income Tax Expense			**$ 20,002**

Newfoundland Light & Power Co. Limited
Return on Regulated Average Common Equity
For The Year Ended December 31, 1996
(000's)

		1996	1995
Regulated Common Equity:			
December 31, 1996, As Per Balance Sheet		$ 226,157	
Add: Non-Regulated Expenses - Net of Income Tax			
As of December 31, 1995	$ 2,636		
1996	531		
Total Net Non-Regulated Expenses, December 31, 1996		3,167	
		229,324	
Less: Deemed Dividends on Excess Common Equity		574	
Regulated Common Equity, December 31, 1996 (Before Deeming)		$ 228,750	
Regulated Common Equity, December 31, 1995		237,415	$ 237,415
Regulated Common Equity, December 31, 1994			227,327
		$ 466,165	$ 464,742
Regulated Average Common Equity (Before Deeming)		$ 233,083	$ 232,371
Excess Common Equity - Return 17		9,074	-
Deemed Regulated Average Common Equity		**$ 224,009**	**$ 232,371**
Earnings Applicable to Common Shares - Return 1		$ 25,144	$ 27,638
Add: Non Regulated Expenses - Net of Income Tax		531	407
		25,675	28,045
Less: Deemed Dividends on Excess Common Equity @	6.33%	574	-
Regulated Earnings		$ 25,101	$ 28,045
Rate of Return on Deemed Regulated Average Common Equity		**11.21%**	**12.07%**