

**Standard & Poor's Rating Report**  
**March 20, 2001**

## Ratings

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## Newfoundland Power Inc.

## ■ Current Ratings

Type	Date	Ratings
Credit rating	20-Mar-2001	A-/Stable/--

## ■ Profile

Country: Canada  
 State/Province: Newfoundland  
 GICS: 5510  
 CINS: 651350, C62764  
 NAICS: 2211  
 Primary SIC: Electric Services(4910)  
 Ticker: 1033Z@CN  
 Credit Analyst: Jenny Catalfo, Toronto, (1) 416-507-2557

## ■ Preferred Stock

Description	Rating/ Outlook/ Creditwatch	Date	CUSIP (CINS/ISIN)
CAD1.79 mil 5.5% preference shares ser A	BBB	20-Mar-2001	651350209
CAD3.38 mil 5.25% pref shares ser B	BBB	20-Mar-2001	651350308
CAD2.30 mil 7.25% pref shares ser D	BBB	20-Mar-2001	651350506
CAD2.42 mil 7.6% preference shares ser G	BBB	20-Mar-2001	C62764102 (CINS)

## ■ Senior Secured

Description	Rating/ Outlook/ Creditwatch	Date	CUSIP (CINS/ISIN)
CAD40 mil 8.9% first mtg bnds ser AH due 05/07/2026	A	20-Mar-2001	9108359C5 (CINS)
CAD50 mil 6.8% first mtg sink fd bnds ser AI due 11/20/2028	A	20-Mar-2001	651350BJ8
CAD40 mil 10.9% sink fd bnds ser AE due 05/02/2016	A	20-Mar-2001	9108359B7 (CINS)
CAD15 mil 11.5% first mtg bnds ser AB due 12/01/2005	A	20-Mar-2001	6513508U7
CAD40 mil 11.875% first mtg bnds ser AC due 12/16/2007	A	20-Mar-2001	651350BC3
CAD40 mil 10.55% bnds ser AD due 08/01/2014	A	20-Mar-2001	651350BD1
CAD40 mil 10.125% first mtg bnds ser AF due 06/15/2022	A	20-Mar-2001	651350BF6
CAD40 mil 9% first mtg bnds ser AG due 10/01/2020	A	20-Mar-2001	651350BG4

## ■ Related Entities

Name  
 Caribbean Utilities Co. Ltd.  
 Fortis Inc.  
 Maritime Electric Co. Ltd.  
 Newfoundland Power Inc.

## ■ Related Research

Date	Description
20-Aug-2002	CreditStats: Electric Utilities -- Canada
14-Aug-2002	Standard & Poor's National Scale Ratings
09-Jul-2001	Summary: Newfoundland Power Inc.
20-Mar-2001	Newfoundland Power Inc. Ratings Harmonized; Outlook Stable
20-Mar-2001	Fortis Inc. Ratings Harmonized; Outlook Stable

Dates are effective dates of ratings and publication in New York. Owing to the securities law regulations, there may be a delay in the updating of this page compared to the information on the What's New Page.

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**Research:****Newfoundland Power Inc. Ratings Harmonized; Outlook Stable****Publication date:** 20-Mar-2001**Analyst:** Damian DiPerna, Toronto (1) 416-956-4870; Stephen Dafoe, Toronto (1) 416-956-4870

TORONTO (Standard & Poor's CreditWire) March 20, 2001--Standard & Poor's today announced its single-'A'-minus harmonized corporate credit rating on Newfoundland Power Inc. and its single-'A' harmonized rating on the company's first mortgage bonds. At the same time, the triple-'B' harmonized global scale rating and 'P-2' harmonized Canadian national scale rating on the company's preferred shares were announced. The outlook is stable.

On Oct. 31, 2000, Standard & Poor's and the Canadian Bond Rating Service (CBRS) announced that they have combined operations in Canada. A process is underway to harmonize all ratings assigned by CBRS with the Standard & Poor's framework, which includes the translation of all ratings onto the Standard & Poor's global ratings scale. Going forward, all new debt issue ratings on Newfoundland Power will be based on the harmonized issuer credit rating. Ratings harmonization announcements do not constitute upgrades or downgrades of ratings assigned by CBRS, nor do they signify any changes in an issuer's underlying credit quality, unless explicitly indicated. Ratings on specific debt issues previously assigned by CBRS to the company will remain in effect until May 1, 2001, when they will be formally withdrawn (unless superceded in light of credit-related rating actions in the interim).

The ratings reflect:

-- The rating on parent company Fortis Inc. (A-/Stable/--), which owns 100% of Newfoundland Power's common stock (all financial ratios cited are for the Fortis consolidated entity).

-- Newfoundland Power's traditional cost-of-service-basis regulation with complete flow through of purchased power costs to customers. Rates are set based on an automatic adjustment formula that effectively results in the annual adjustment of rate of return on common equity in response to changes in long-term Government of Canada bond yields.

-- Newfoundland Power's position as the principal distributor of electricity in the province, serving 85% of all electrical customers, of which the vast majority are residential and small to medium-sized commercial and institutional customers. The company generates about 9% of its energy requirements and purchases the remaining 91% from provincially owned Newfoundland and Labrador Hydro.

Newfoundland Power faces some competition in the space and water heating markets from other energy sources; however, the company's market shares in these segments remain sound at around 50% and 80%, respectively. Electric rates in Newfoundland are the lowest in Atlantic Canada and lower than those in Toronto, Ont., and should remain competitive, as about 70% of island generation is produced from low-cost hydroelectric plants. Furthermore, there is no foreseeable threat of broad regulatory change in Newfoundland, reinforcing Newfoundland Power's stable operating position.

The Newfoundland economy is expected to perform well in 2001 and 2002, though at lower growth rates than those experienced in 1998-2000. The service sector component of GDP, which is more predictive of Newfoundland Power's energy sales than total GDP, is forecast to grow by 1%-2% per year in the medium term. As a result, the company's rate base and revenue stream also will grow at a modest pace.

In 2000, Fortis' total debt to capital increased to 64% from 63% and currently measures above traditional levels; however, Fortis plans to reduce debt through excess cash flow and the refinancing of its 2002 preferred shares over a longer term. The company's target debt to total capital is around 60% and is partially predicated on a 45% common

equity capitalization limit allowed for regulatory purposes at Newfoundland Power. In the future, Fortis' funds from operations (FFO) interest coverage (2.4 times) and FFO to total debt (11%) should show modest improvements.

OUTLOOK: STABLE

Total energy sales are forecast to grow by about 1%-2% in the near term, which, combined with control over operating expenses and improved operating efficiencies, should lead to a modest improvement in profitability. Good cash flow generation combined with moderate capital expenditure requirements should allow Newfoundland Power to maintain or modestly improve its balance sheet and debt coverage ratios in the near to medium term, Standard & Poor's said. -- CreditWire

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