

- 1   **Q.    Please provide copies of correspondence relating to the C.B.R.S./Standard and**  
2   **Poors Reports for the period 1996 to current.**  
3  
4   A.    Attachment A contains copies of correspondence in Newfoundland Power's files related  
5       to CBRS / Standard & Poor's reports for the period 1996 to current.

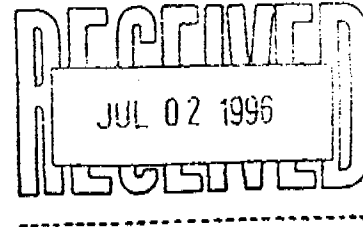
**Correspondence Re: CBRS / Standard & Poor's Reports**  
**1996 to Current**

# Canadian Bond Rating Service

1 Westmount Square  
Suite 1350  
Westmount, Québec H3Z 2P9  
Tel.: (514) 937-9557 • Fax: (514) 937-0676

June 25, 1996

Mr. Karl Smith  
Vice-President, Finance  
Newfoundland Light & Power Co. Limited  
55 Kenmount Road  
PO Box 8910  
St. John's Newfoundland  
A1B 3P6



## Rating Committee Decision

Dear Mr. Smith,

With regards to your inquiry concerning the appropriate interest coverage ratio necessary for Newfoundland Light & Power to maintain its present A rating, we would like to make the following comments:

- The financial benchmarks published in the CBRS Methodology of Rating Debt Securities of Regulated Utilities (Summer 1994) are used in the rating process for guideline purposes only. When evaluating utility credit risk, CBRS will assess a number of qualitative and quantitative factors including: market risk; franchise area/customer diversity; competitive position; infrastructure; operating efficiency; management; regulatory environment; the company's capital structure and financial ratios; and business and financial outlook.
- Since 1981, Newfoundland Light & Power has maintained its A rating on the First Mortgage Bonds based on its relatively low competitive risk, fair regulatory environment and sound financial position. These factors mitigated the risk associated with the company's relatively small size (in relation to other A rated utilities), high electric rates and weak franchise area. The Province of Newfoundland has been amongst the lowest rated provincial credit in Canada (currently rated BBB with a negative rating outlook) and the economic outlook for the Province is for continued low growth. In addition, the Newfoundland economy does not provide the company with a diverse customer base while the slow economic growth will have a direct impact on the company's rate base and revenue growth.
- Because of the higher risk primarily associated with the provincial economic base, we expect Newfoundland Light & Power to maintain a stronger level of financial ratios. The financial benchmark with respect to the interest coverage ratio for gas and electric utilities is 2.0x to 3.2x, therefore, CBRS expects the company to maintain an interest coverage ratio measuring in the top quartile of this range.

*Should you require any further information regarding the above, please contact the undersigned, or Damian Di Perna, Senior Financial Analyst at CBRS (514) 937-9557.*

Brian I. Neysmith, Chairman  
CBRS Rating Committee



*Newfoundland Light &  
Power Co. Limited*

55 Kenmount Road  
PO Box 8910  
St. John's, Newfoundland  
A1B 3P6  
Business: (709) 737-5600  
Facsimile: (709) 737-5832

November 5, 1996

Mr. Damian Di Perna  
Senior Financial Analyst  
Canadian Bond Rating Service  
1 Westmount Square, Suite 1350  
Westmount, Quebec  
H3Z 2P9

Dear Damian:

As per our telephone conversation this morning, please find enclosed a copy of the recently released Order from the Board of Commissioners of Public Utilities for Newfoundland. This Order results from an application by Newfoundland Power to increase rates.

If, after reading the Order, you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in dark ink, appearing to read "Karl Smith".

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



*Newfoundland Light &  
Power Co. Limited*

PO Box 8910  
St. John's, Newfoundland  
A1B 3P6  
Business: (709) 737-5600  
Facsimile: (709) 737-5300

September 9 1997

Mr. Damian Di Perna  
Vice-President and Director  
Utilities and Telecommunications Ratings  
Canadian Bond Rating Service  
1 Westmount Square, Suite 1350  
Westmount, Quebec  
H3Z 2P9

Dear Mr. Di Perna:

Congratulations on your recent appointment as Vice-President and Director, Utilities and Telecommunications Ratings. I hope you find your new position to be interesting and rewarding. I have every confidence that you will be up to the challenge.

I also look forward to seeing you again, in the near future, when you visit St. John's.

Yours truly,

A handwritten signature in dark ink, appearing to read "Karl W. Smith".

Karl W. Smith  
Vice-President, Finance  
& Chief Financial Officer



*Newfoundland Light &  
Power Co. Limited*

PO Box 8910  
St. John's, Newfoundland  
A1B 3P6  
Business: (709) 737-5600  
Facsimile: (709) 737-5300

September 9 1997

Zaheer H. Khan, B.Sc.Eng., MBA  
Managing Director, Corporate Ratings Group  
Canadian Bond Rating Service  
1 Westmount Square, Suite 1350  
Westmount, Quebec  
H3Z 2P9

Dear Mr. Khan:

Congratulations on your recent appointment as Managing Director, Corporate Ratings Group. I hope you find your new position to be interesting and rewarding. I have every confidence that you will be up to the challenge.

I also look forward to seeing you again, in the near future, when you visit St. John's.

Yours truly,

A handwritten signature in dark ink, appearing to read "Karl W. Smith".

Karl W. Smith  
Vice-President, Finance  
& Chief Financial Officer



# Canadian Bond Rating Service

220 Bay Street, Suite 901  
Toronto, Ontario  
Canada M5J 2W4  
Tel.: (416) 956-4870 • Fax: (416) 956-4902

May 8, 1998

**Confidential**

Mr. Karl Smith  
Vice-President, Finance & CFO  
Newfoundland Light & Power Co. Limited  
55 Kenmount Road, PO Box 8910  
St. John's Newfoundland  
A1B 3P6

## RATING COMMITTEE DECISION LETTER

Dear Mr. Smith,

With regards to your inquiry concerning the appropriate interest coverage ratio necessary for Newfoundland Light & Power to maintain its present single "A" rating, we would like to make the following comments.

In the past, CBRS has publicly made available a list of financial benchmarks, which have traditionally been used in the rating process for guideline purposes only. These financial benchmarks combined with a number of qualitative and quantitative factors such as a utility's market risk, franchise area, customer profile, competitive position, infrastructure, operating efficiency, quality of management, regulatory environment, financial position and business and financial outlook are commonly used to evaluate a utility's credit rating. With respect to its financial profile, the company's business risk should partly determine its target capitalization and coverage ratio measurements.

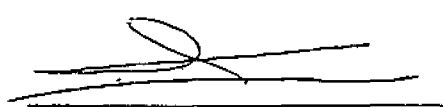
CBRS has rated the first mortgage bonds of Newfoundland Light & Power Co. Limited at single "A" since 1981. The good quality rating of single "A" has generally been based on the company's low competitive risk, fair regulatory environment and sound financial position. These factors helped to mitigate the risk associated with the company's relatively small size (in relation to other single "A" rated utilities), high electric rates and economically weak franchise area. The province of Newfoundland has been amongst the lowest rated provincial credit in Canada (currently rated BBB with a negative rating outlook) and the economic outlook for the province is for continued slow growth. In addition, the Newfoundland economy does not provide the company with a diversified customer base or economic growth prospects required to grow its rate base and revenue sources relative to other single "A" rated utilities.

Because of the higher risk primarily associated with the provincial economic base, CBRS favors a stronger level of financial ratios for Newfoundland Light & Power. With respect to the interest coverage ratio, CBRS would like the company to maintain a ratio measuring in the top quartile of the 2.0 times to 3.2 times range established for single "A" gas and electric utilities. When analyzing a utility's credit quality, CBRS will review a wide range of factors including its financial ratios. Therefore, should the company's interest coverage ratio deviate slightly from the top quartile of the single "A" range, this would not necessarily result in an immediate rating action from CBRS. CBRS does, however, pay close attention to developing trends which could lead to further examination. Also important to note are the significant changes that will occur in the energy industry in the near to mid term. The industry's risk profile will continue to increase as deregulation, privatization and convergence takes form. Therefore, CBRS will continue to review its financial benchmarks in accordance with such industry changes.

Should you require any further information regarding the above, please contact the undersigned, or Damian Di Perna, Vice President & Director at CBRS (416) 956-4870.



**25** Years  
of Service



Ihor S. Kots, Co-Chairman  
CBRS Rating Committee

The Exchange Tower  
130 King Street West  
Suite 2750, PO Box 486  
Toronto, ON M5X 1E5  
Tel 416 202 6001  
Fax 416 364 5336

**Thomas Connell**  
Managing Director  
Canadian Ratings

## Standard & Poor's

A Division of The McGraw-Hill Companies



June 5, 2001

Mr. Karl W. Smith  
Newfoundland Power  
P.O. Box 8910  
St. John's, NF  
A1B 3P6

Dear Mr. Smith:

Please find enclosed an invoice for C\$13,000.00 in connection with the annual rating surveillance for Newfoundland Power for the period June 1, 2001 through May 31, 2002.

As you know, on October 31<sup>st</sup> of this past year, Standard & Poor's and Canadian Bond Rating Service (CBRS) announced the amalgamation of their Canadian rating services operations. We hope the combination of our two services will support further enhancements to the rating services we provide for your company and result in ratings of unrivalled accuracy, credibility, and effectiveness in securing market access and counterparty recognition for Newfoundland Power in Canada and globally. Going forward, we hope to continue the excellent level of service which CBRS provided to your company.

The annual surveillance fee we have applied to your company reflects the lower end of the surveillance fee range we customarily apply to Canadian corporate issuers. I would look forward to an opportunity to meet with you to discuss nonanalytical aspects of the rating relationship going forward, and to highlight ways you can realize the full value of the rating service provided by Standard & Poor's.

I hope you will feel free to contact me at any time if I can be of assistance. Damian Di Perna remains your primary Standard & Poor's contact for analytical purposes.

Yours sincerely,

Thomas Connell

Enclosure

**Canadian Ratings**  
130 King Street West  
Suite 1100, PO Box 486  
Toronto, ON M5X 1E5  
Tel 416 507 2500  
Fax 416 507 2507

**Standard & Poor's**

A Division of The McGraw-Hill Companies



December 13, 2001

Ms. Lisa Hutchens  
Manager, Finance  
Newfoundland Power Inc.  
55 Kenmount Road  
P.O. Box 8910  
St. John's, Newfoundland, A1B 3P6

Dear Ms. Hutchens:

I am pleased to announce that I will be the primary analyst managing **Newfoundland Power Inc.'s rating**. I can be contacted at our new office at (416) 507-2557, [jenny\\_catalfo@standardandpoors.com](mailto:jenny_catalfo@standardandpoors.com), or by fax at (416) 507-2507. At Standard & Poor's, we consider continuity of coverage an important part of the ratings service we provide. Therefore, please be assured that Damian Di Perna, the team leader, will continue to be involved on your account.

We are pleased to have the opportunity to be of service to your organization. If I can help you in any way, please contact me.

Yours sincerely,

Jenny Catalfo  
Associate

JC/sg

Encl.



**Newfoundland Light &  
Power Co. Limited**

55 Kenmount Road  
PO Box 8910  
St. John's, Newfoundland  
A1B 3P6  
Business: (709) 737-5600  
Facsimile: (709) 737-5832

August 6, 2002

Ms. Jenny Catalfo  
Associate Director  
Utilities, Energy & Project Finance Ratings  
Standard & Poor's  
130 King Street West  
Suite, 1100, P.O. Box 486  
Toronto, Ontario  
M5X 1E5

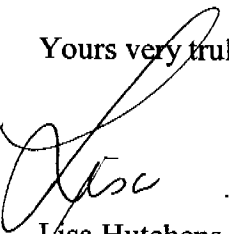
Dear Ms. Catalfo 

As promised in our meeting earlier this morning, please find enclosed copies of the following:

1. Report on Newfoundland Light & Power Co., Limited Re Quality of Service and Reliability of Supply by D.G. Brown, P. Eng.
2. Deed of Trust and Mortgage by Newfoundland Light & Power Montreal Trust Company.
3. Newfoundland Power SAIDI & SAIFI measures.

I trust the foregoing is satisfactory. If you have any questions on these or any other matters, please do not hesitate to contact me.

Yours very truly,

  
Lisa Hutchens CA  
Manager, Finance

Encl.

The Exchange Tower  
130 King Street West  
Suite 1100, PO Box 486  
Toronto, ON M5X 1E5  
Tel 416 507 2561  
Fax 416 507 2507

**Damian Di Perna**  
Director  
Utilities, Energy & Project Finance

**Standard & Poor's**

A Division of The McGraw-Hill Companies



October 11, 2002

RECEIVED  
OCT 18 2002

Barry Perry  
Vice President, Finance & CFO  
Newfoundland Power Co. Limited  
55 Kenmount Road  
P.O. Box 8910  
St. John's, NF A1B 3P6

Re: Proposed C\$75 million First Mortgage Sinking Fund Bonds, Series AJ due 2032

Dear Mr. Perry:

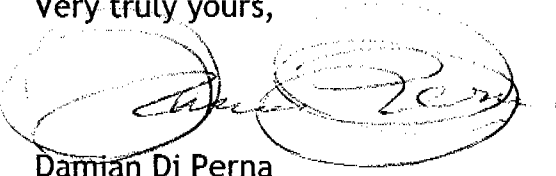
Pursuant to your request, Standard & Poor's has reviewed the information presented to us by Newfoundland Power Inc. and has assigned a 'A' rating to the above mentioned securities. Standard & Poor's affirms its 'A-' corporate credit rating on the company. The outlook for the company has been changed to negative. If you have any questions relating to this rating, we will be pleased to answer them.

Standard & Poor's relies on the company, its auditors and other experts for the accuracy and completeness of information submitted in connection with the rating and surveillance process. Accordingly, we should receive all pertinent information. In the event that we do not receive such information, the ratings may be at risk of withdrawal.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned ratings to interested parties. You understand that Standard & Poor's has not consented to, and will not consent to, being named an "expert" under applicable securities laws. In addition, it should be understood that a rating is not a "market" rating, nor a recommendation to buy, hold or sell any financial obligations of the company.

We are pleased to have had the opportunity of being of service to you. If we can be of further help, please do not hesitate to call upon us.

Very truly yours,



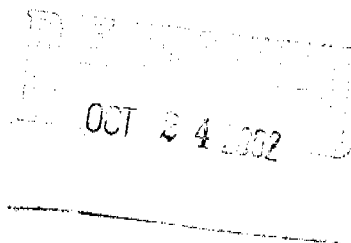
Damian Di Perna

**STANDARD  
& POOR'S**

**Canadian Ratings**

130 King Street West  
Suite 1100, PO Box 486  
Toronto, ON M5X 1E5  
416 507 2500 Tel  
416 507 2507 Fax  
[www.standardandpoors.com](http://www.standardandpoors.com)

October 21, 2002



Mr. Barry Perry  
Vice President Finance, CFO  
Newfoundland Power  
P.O. Box 8910  
St. John's, NF  
A1B 3P6

Dear Mr. Perry:

Please find enclosed an invoice in connection with the recent rating services provided for Newfoundland Power.

I hope you will feel free to contact me at any time if I can be of assistance. Jenny Catalfo remains your primary Standard & Poor's contact for analytical purposes.

Yours sincerely,

A handwritten signature in cursive script that reads "S. Kellogg".

Sandra Kellogg  
Issuer Services

Enclosure