

**Presentation to
Standard and Poor's
February 2001**

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Standard and Poors

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Corporate Vision

Corporate Vision

Lead North American electric utilities in:

- Customer Service;
- Reliability;
- Operating Efficiency;
- Safety; and,
- Environment Initiatives.

Overview

- Corporate Vision
- Financial and Operating Highlights
- Energy Supply and Distribution
- Newfoundland Economy
- Customers, Energy Sales and Revenue
- Regulation and Income Tax
- Corporate Performance Indicators
- Financial Forecasts

Financial and Operating Highlights

Financial Highlights

(\$000s)

	<u>2000</u>	<u>1999</u>
Revenue	348,413	342,001
Fixed Assets	865,406	844,598
Long-term Debt	280,158	283,208
Common Shareholders' Equity	250,331	242,848
Earnings Applicable to Common Shares	26,473	22,858
Earnings per Common Share (\$)	2.57	2.21
Customer Rebate	6,600	-
Capital Expenditures	42,836	42,282
Interest Coverage	2.4x	2.5x
Cashflow from Operations	73,738	46,404

Operating Highlights

	<u>2000</u>	<u>1999</u>
Customers	215,210	213,641
Installed Generating Capacity (MW)		
Hydroelectric	93.8	94.0
Diesel	6.9	7.4
Gas Turbine	<u>46.9</u>	<u>46.9</u>
Total	147.6	148.3
Peak One-hour Demand (MW)	1,041	1,025
Energy Sales (GWh)	4,555	4,500

Energy Supply and Distribution

Energy Supply

- Generates approximately 9% of energy requirements from 23 small hydroelectric generating plants.
- The Company has refurbished many of its hydroelectric generating facilities over the past few years.
- Purchases the remaining 91% from Newfoundland and Labrador Hydro (Hydro), a Crown Corporation. Approximately 70% of island production is supplied by low cost hydro electric generators.
- Hydro are required to file a rate application with the Public Utilities Board by May 1, 2001. This application may lead to a significant increase in purchase power costs which will be passed directly on to consumers.

Energy Distribution

- Principal distributor of electricity in the Province.
- Serves 85% of all customers in the Province.
- Large industrial customers either generate or purchase power from Newfoundland and Labrador Hydro.
- Primary customer base is residential and small to medium-size commercial / institutional customers.
- Largest customer account represents less than 2% of total energy sales.

Newfoundland Economy

Newfoundland Economy

- The Conference Board of Canada forecasts Newfoundland to lead the country in economic growth over the next two years.
- This growth is fuelled by an expanding offshore oil industry.
- Production at Hibernia continues to increase.
- First oil from Terra Nova expected in 2001.
- Beyond 2001, the economy will benefit from White Rose, Hebron, and other offshore-related activity.
- Additional growth in the fishing industry will be restricted as a result of crab quota cuts and continued problems with cod stocks.

Newfoundland Economy

(continued)

- Growth in the manufacturing industry will be limited by restricted growth in the fishing industry.
- The construction industry will benefit from offshore developments and government expenditures on roads, schools and other projects.
- Both the construction and mining industries could receive a significant boost in the medium term if Voisey's Bay and Labrador power were to get the green light.
- The goods producing sector of the economy will grow by over 10% per year in the near term.
- The service producing sector, which is more indicative of Newfoundland Power's growth, is forecast to grow by 2% per year in the near term.

Newfoundland Economy

(continued)

- Tourism will continue to grow as a result of the spinoff from the Viking 1000th anniversary in 2000, the 100th anniversary of Marconi's first transatlantic communication in 2001 and the addition of a new ferry between Newfoundland and Nova Scotia.
- Employment levels are forecast to increase.
- The level of net out-migration is slowing.
- Personal disposable income is forecast to increase as a result of wage increases and income tax cuts.
- The St. John's Metropolitan Area is growing modestly while rural economies continue to struggle.

Customers, Energy Sales and Revenue

Residential

- Represents 86% of customers and 59% of energy sales.
- Primary uses of electricity are space heating, water heating, lighting and other major appliances such as electric ranges and refrigerators.
- Electric space and water heating market shares are steady at approximately 50% and 80%, respectively.
- Most major appliances have reached high levels of saturation.
- Stable electricity prices combined with higher oil prices have improved the competitive position of electric space and water heating in the marketplace.
- The Rate Stabilization Plan shields customers from large electricity rate increases caused by increases in the price of oil, which is used to generate 30% of the Province's electricity.

Commercial / Institutional

- Represents 10% of customers and 40% of energy sales.
- Approximately 84% of energy sales are to customers in the service sector.
- Energy sales are primarily driven by the service sector portion of the economy.
- Energy sales in the fishing industry are higher than pre-moratorium levels.
- Service sector growth is particularly strong in the St. John's Metropolitan Area.

Customer and Energy Statistics 2000

	<u>Customers</u>		<u>Energy Sales</u>		<u>Revenue</u>	
	<u>#</u>	<u>%</u>	<u>GWh</u>	<u>%</u>	<u>(\$ M)</u>	<u>%</u>
Residential	185,287	86	2,707	59	207.2	59
General Service	20,614	10	1,813	40	128.2	37
Street Lighting	9,309	4	35	1	10.5	3
Other	-	-	-	-	9.1	3
Excess Revenue	_____		_____		<u>(6.6)</u>	(2)
Total	215,210	100	4,555	100	348.4	100

Regulation and Income Tax

Regulation

- Automatic adjustment formula used by the regulator to determine allowed return on ratebase.
- Formula is based on long-term Canada bond yields and the Company's capital structure of 44% to 45% equity.
- Rates for 2001 provided for a rate of return on equity of 9.59%.
- The operation of the automatic adjustment formula determined the rate of return on ratebase for 2001 would remain unchanged from 2000. Therefore, no adjustment to electrical rates was necessary and a return on equity of 9.59% would remain in affect.

Regulation

(continued)

- In 2000 the Company exceeded the maximum allowed rate of return on ratebase of 10.46% because of the \$6.8 million interest revenue it received from CCRA upon the successful resolution of its 1995 disputed tax reassessment . This extraordinary item resulted in excess revenue of \$6.6 million which will be rebated to customers in 2001.

Income Tax

- In July 1995, Canada Customs & Revenue Agency (CCRA) issued a notice of Reassessment for years 1989 through 1993 which:
 - disallowed certain amounts capitalized for regulatory and accounting purposes but claimed as expenses for income tax purposes; and
 - included in income for 1993 the value of electricity consumed in December 1993 but not billed until January 1994.
- In October 1995, Newfoundland Power Inc. filed Notices of Objection and paid one half of the amount of taxes reassessed as required by the Income Tax Act.
- In May 2000, Newfoundland Power Inc. won its appeal with respect to amounts capitalized (approximately 74% of total tax reassessed). In June 2000, the Company received a \$8.8 million refund, including \$6.8 million of interest.

Income Tax

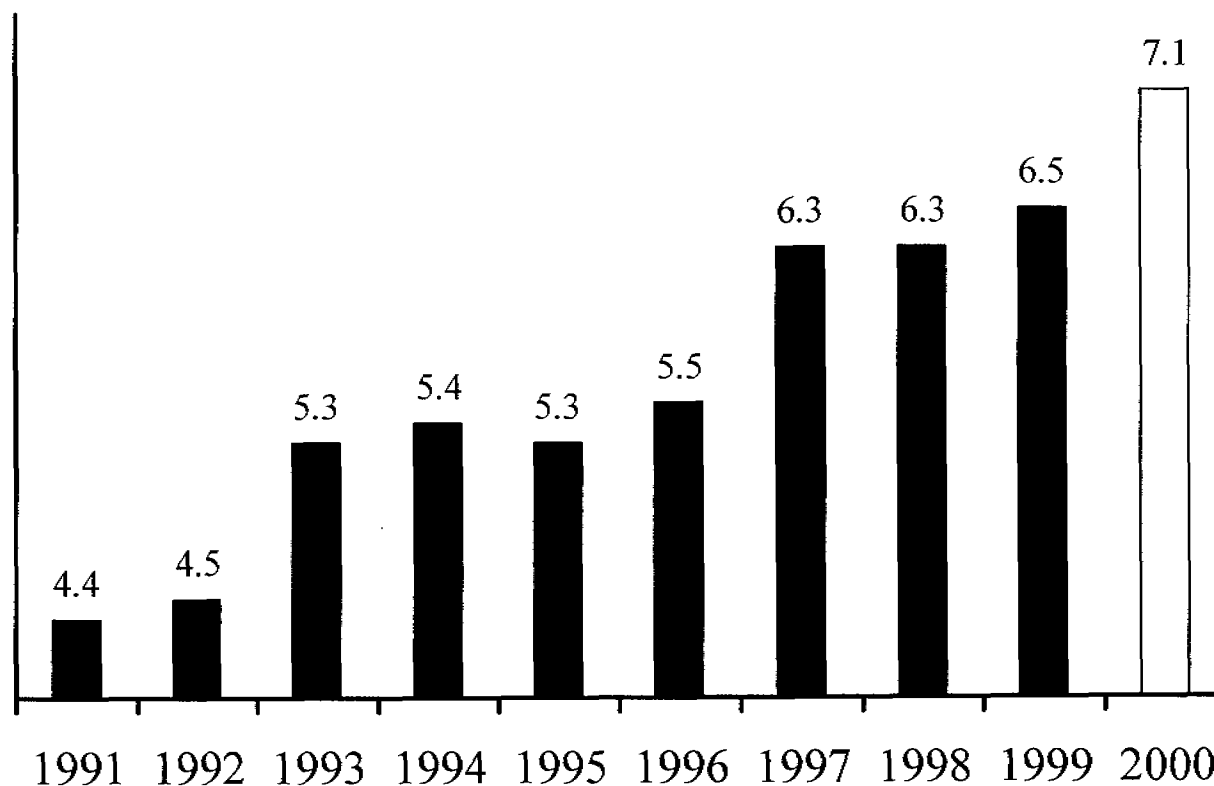
(continued)

- Income tax expense in 2000 reflects the full deductibility of amounts capitalized for accounting and regulatory purposes and deducted for tax purposes for 1999 and 2000.
- The unbilled revenue issue is still unresolved. CCRA is holding on deposit \$13.6 million of the Company funds representing approximately 100% of the amount of tax and interest outstanding. Newfoundland Power has filed a notice of objection relating to this issue.
- If unsuccessful in its notice of objection, the Company can make an application to the PUB to have this liability considered in the rate making process. This would likely include the change to recognizing revenue on an accrual basis.

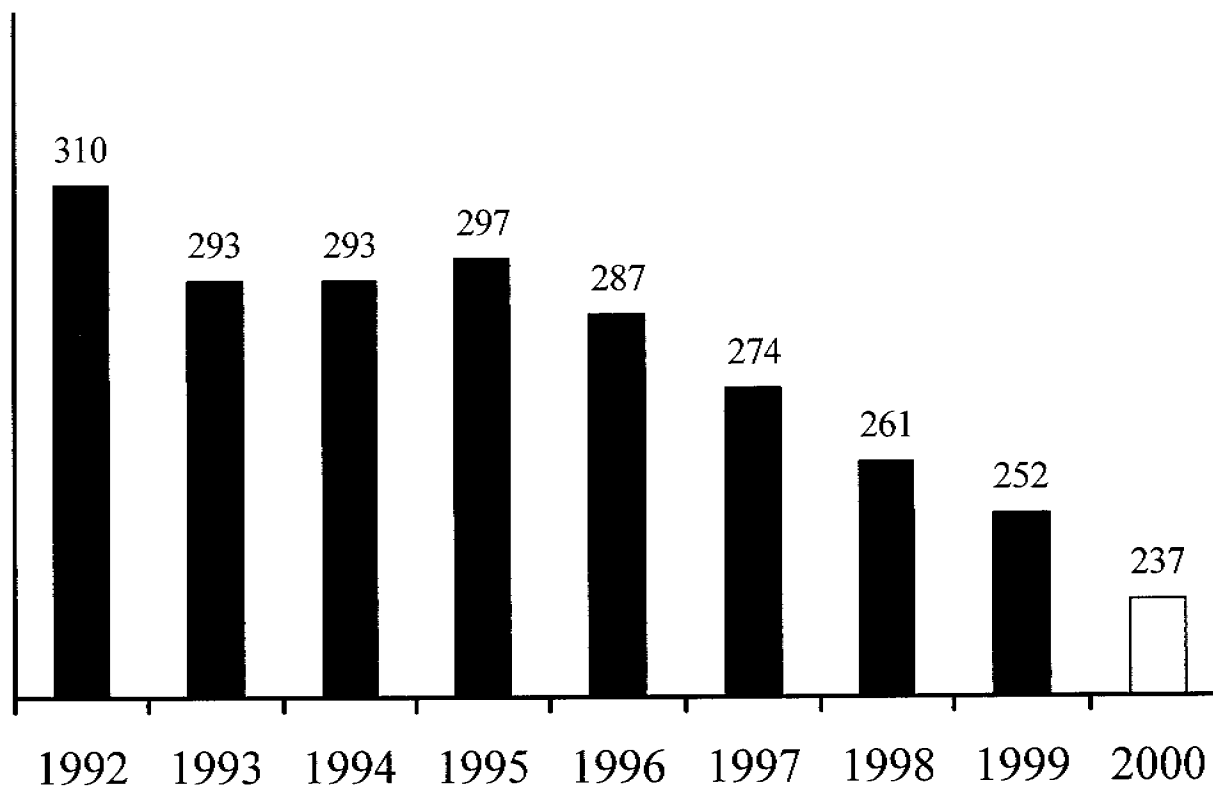
Corporate Performance Indicators

Energy Sales per Employee

(millions of kWh)



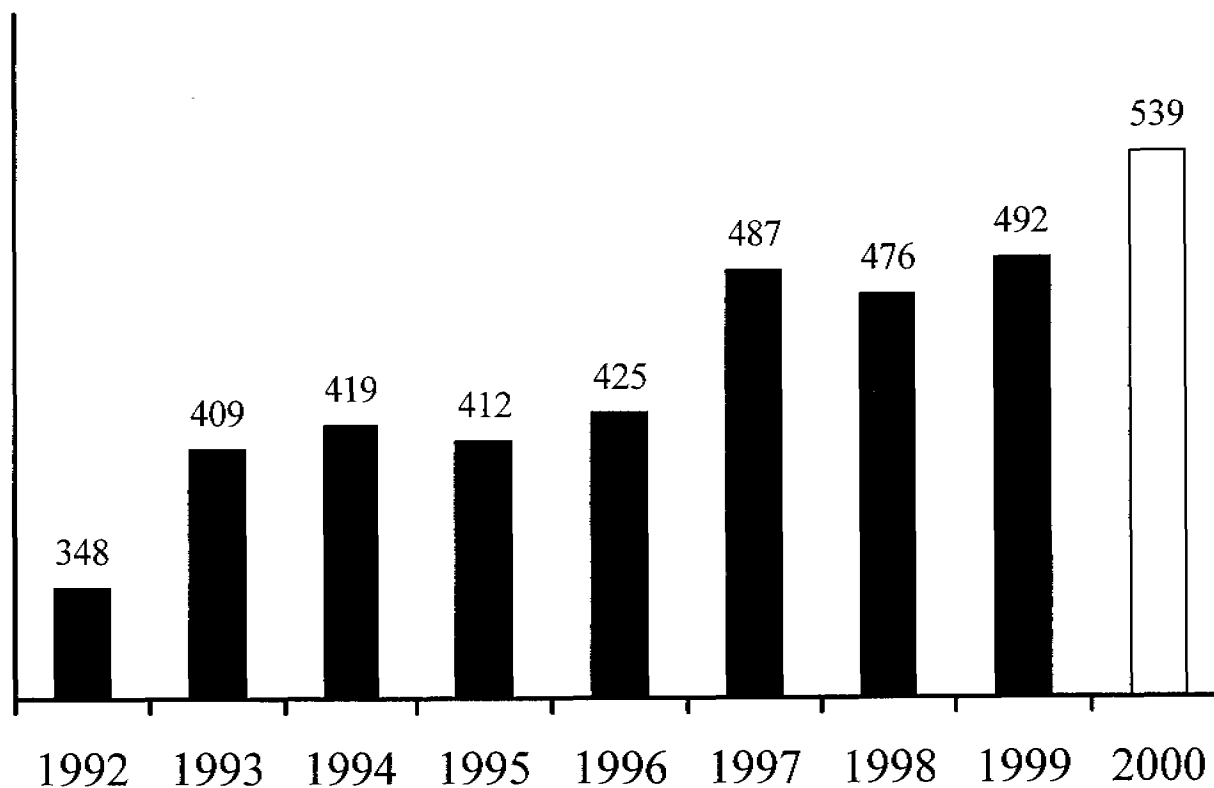
Gross Operating Cost per Customer (\$)



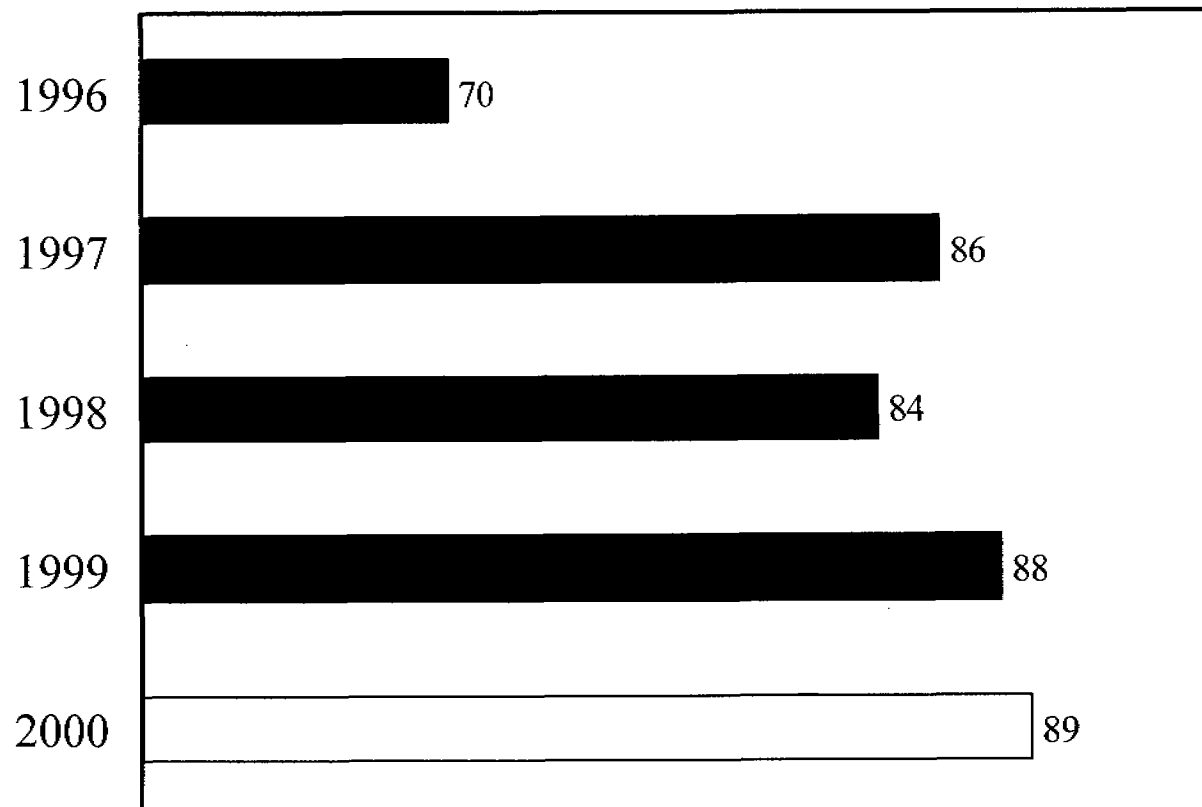
Note: Retirement allowances were removed from 1995 to 1999.

Revenue per Employee

(\$000's)

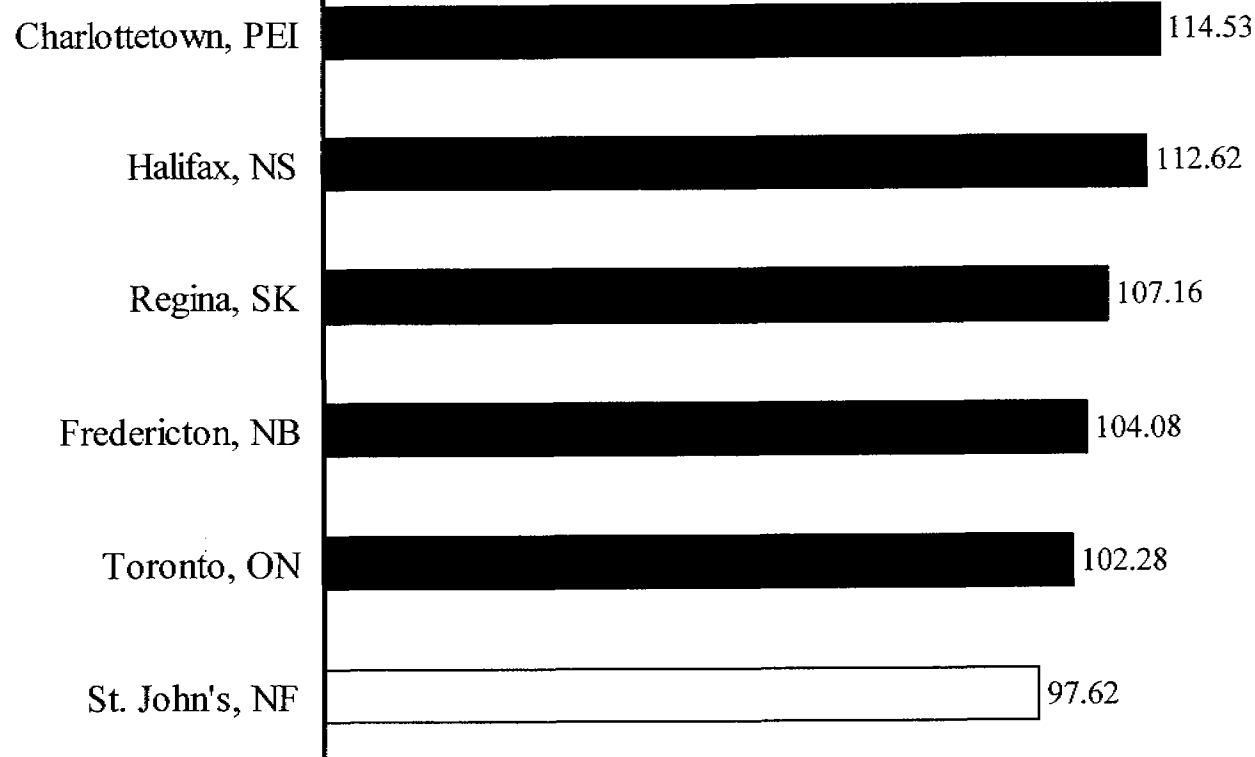


Customer Satisfaction Rating (%)

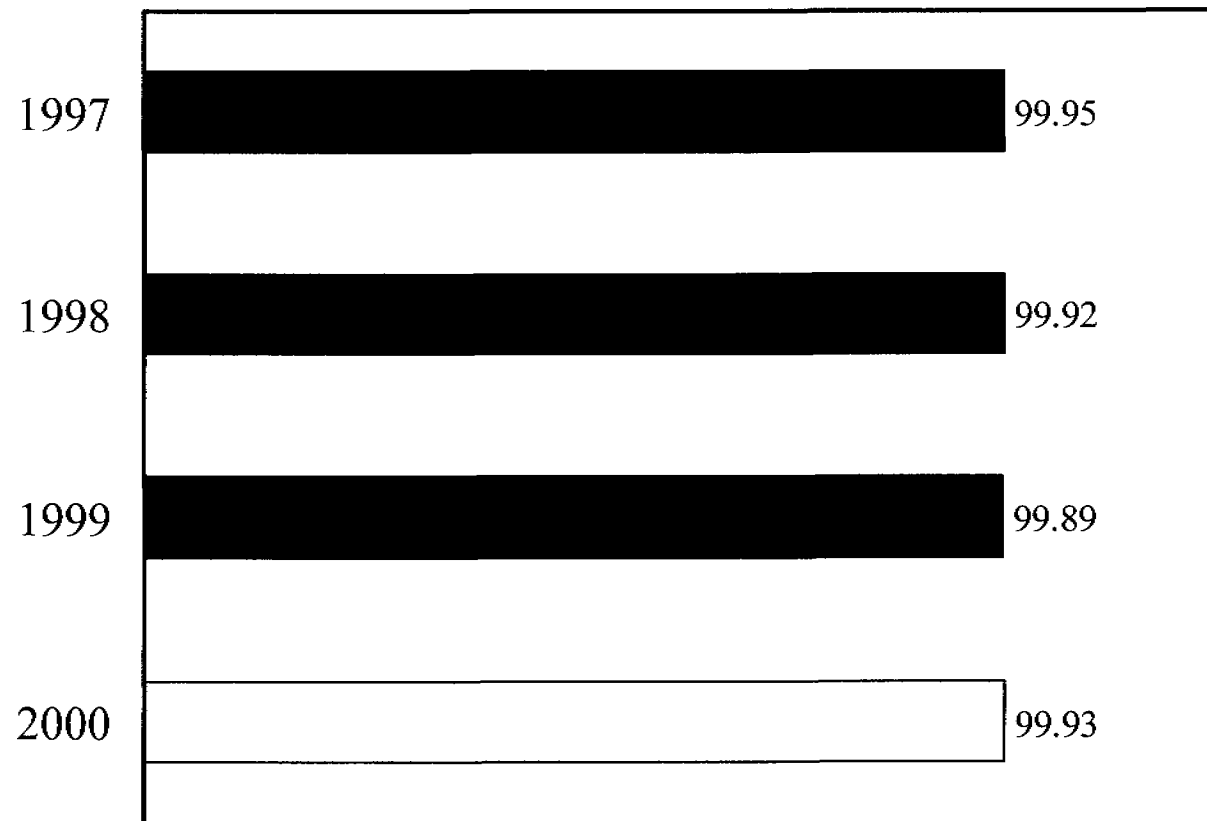


Comparison of Electricity Costs (\$)

Rates as of January 1, 2001 with Usage of 1,223 kWh/month



Electricity System Availability (%)



Financial Forecasts

Forecasts

- Residential energy sales are forecast to grow by approximately 1.0% over the next three years.
- Commercial / Institutional energy sales are forecast to grow by approximately 1.5%.
- Total energy sales are forecast to grow by approximately 1.2%.

Income Statement

(\$millions)

	2000 Actual	2001 Forecast	2002 Forecast
Total Revenues	348.4	351.5	355.0
Operating Expenses	251.8	249.5	251.0
EBITDA	96.6	102.0	104.0
Depreciation & Amortization	29.6	31.3	31.7
EBIT	67.0	70.7	72.3
Interest & Preferred Dividends	27.2	27.8	28.2
Income Taxes	13.3	17.3	18.2
Earnings Applicable to Common Shares	26.5	25.6	25.9

Balance Sheet

(\$millions)

	2000 Actual	2001 Forecast	2002 Forecast
Current Assets	43.3	44.3	44.5
Corporate Income Tax Deposit	13.6	13.6	13.6
Deferred Charges	50.2	57.9	59.8
Property, Plant & Equipment	532.2	538.5	548.4
	<u>639.3</u>	<u>654.3</u>	<u>666.3</u>
Current Liabilities	90.9	102.5	110.4
Long Term Debt	277.1	274.1	271.0
Deferred Credits	11.1	10.9	11.1
Shareholders' Equity	260.2	266.8	273.8
	<u>639.3</u>	<u>654.3</u>	<u>666.3</u>

Cash Flow Statement

(\$millions)

	2000 Actual	2001 Forecast	2002 Forecast
Cash From Operations	73.7	49.9	56.9
Cash (Used in) Financing	(22.6)	(22.6)	(22.6)
Cash (Used in) Investing	(50.7)	(45.4)	(43.6)
Change in Short Term Borrowings	0.4	(18.1)	(9.3)
Short Term Borrowings - Beginning of Year	(19.6)	(19.2)	(37.3)
Short Term Borrowings - End of Year	(19.2)	(37.3)	(46.6)

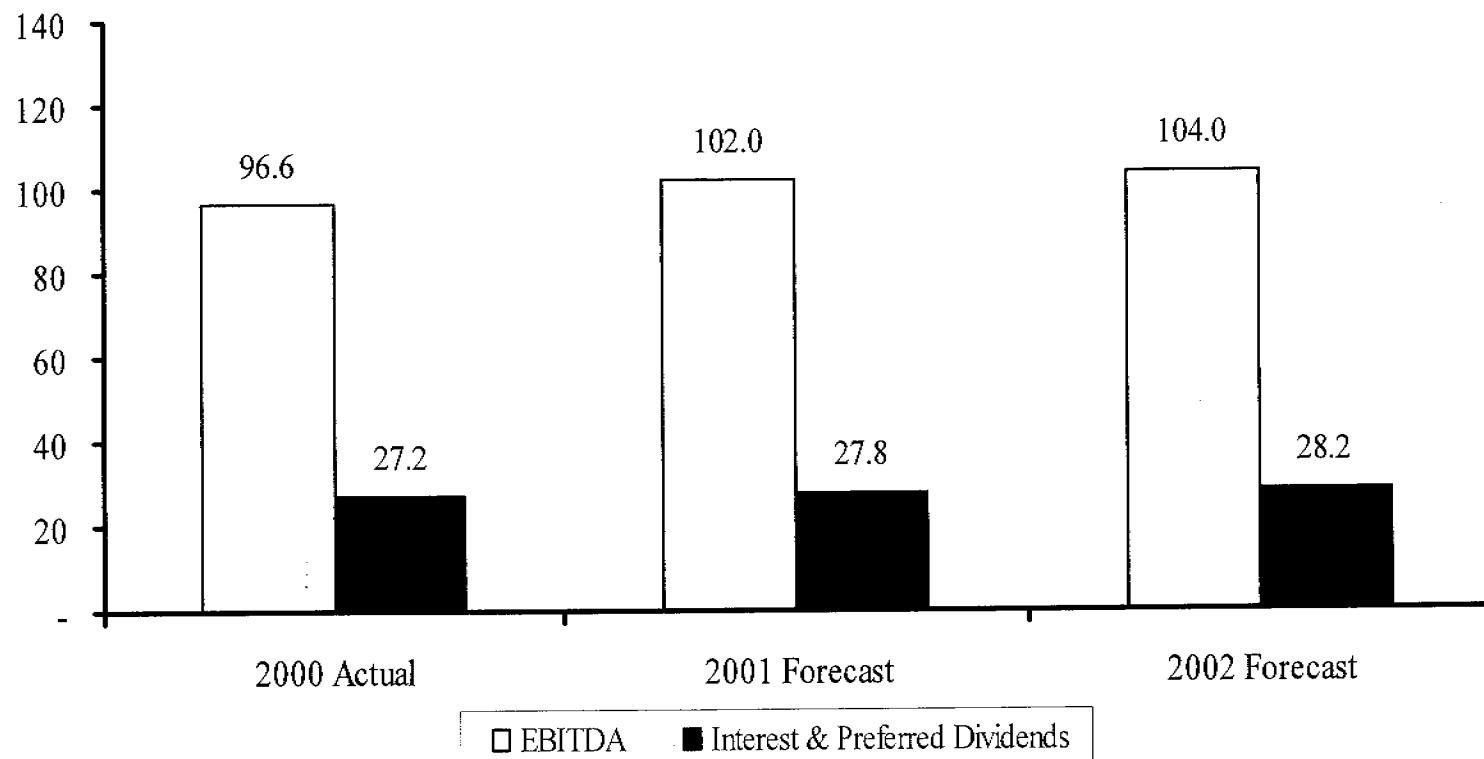
Ratio Analysis

(\$millions)

	2000		2001		2002	
	Actual		Forecast		Forecast	
Capitalization	\$	%	\$	%	\$	%
Short Term Debt	22.3	4.0	40.4	6.9	49.6	8.3
Long Term Debt	277.1	49.5	274.1	47.2	271.0	45.6
Equity: - Preferred	9.9	1.8	9.9	1.7	9.9	1.7
- Common	250.3	44.7	256.9	44.2	263.9	44.4
Total Capitalization	559.6	100.0	581.3	100.0	594.4	100.0
Coverage & Liquidity Ratios						
Net Tangible Assets		1.7		1.8		1.8
Total Debt: Equity	53.5	: 46.5	54.1	: 45.9	53.9	: 46.1
Total Debt: EBITDA		3.1		3.1		3.1
Interest Coverage		2.4		2.5		2.5
EBITDA Interest Coverage		3.5		3.6		3.6
Cashflow/Total Debt (%)		24.6		15.9		17.8
Preferred Dividend Coverage		43.3		41.9		42.4
All Fixed Charges Ratio		2.3		2.4		2.4
Current Ratio		0.48		0.43		0.40
Profitability Ratios						
Net Margin (%)		7.8		7.5		7.5
Asset Turnover		0.5		0.5		0.5
EBIT Total Assets (%)		9.4		9.1		9.1
Return on Average Common Equity (%)		10.7		10.1		10.0

Interest Coverage

(\$millions)



Capital Expenditures

- 2000 Actual \$43 million
2001 Forecast \$39 million
2002 Forecast \$42 million
- Focus of capital program is on improving system reliability and reducing associated operating and maintenance costs over the long-term.

Common Share Dividends

- 2000 Actual \$19.616 million
2001 Forecast \$19.616 million
2002 Forecast \$19.616 million