NEWFOUNDLAND POWER
A FORTIS COMPANY

First Quarter 2011

INTERIM MANAGEMENT DISCUSSION and ANALYSIS
For the Three Months Ended March 31, 2011

Dated May 4, 2011

The following interim Management Discussion and Analysis ("MD&A") should be read in conjunction with Newfoundland Power Inc.'s (the "Company" or "Newfoundland Power") interim unaudited financial statements and notes thereto for the three months ended March 31, 2011 and the MD&A and annual audited financial statements for the year ended December 31, 2010. The MD&A has been prepared in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. Financial information herein, all of which is unaudited, reflects Canadian dollars and Canadian generally accepted accounting principles ("Canadian GAAP"), including certain accounting practices unique to rate regulated entities. These accounting practices, which are disclosed in Notes 2 and 4 to the Company's 2010 annual audited financial statements, result in the recognition of revenues, expenses, regulatory assets and regulatory liabilities which would not occur in the absence of rate regulation and which affect the Company's reported earnings, cash flows and financial position.

Certain information herein is forward-looking within the meaning of applicable securities laws in Canada ("forward-looking information"). The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words.

The forward-looking information reflects management's current beliefs and is based on information currently available to the Company's management. The forward-looking information in this MD&A includes, but is not limited to, statements regarding: expectations to generate sufficient cash to complete required capital expenditures and to service interest and sinking fund payments on debt; meeting pension funding requirements; no material adverse credit rating actions are expected in the near term; the Company's belief that it does not anticipate any difficulties in issuing bonds on reasonable market terms; and the forecast gross capital expenditures for 2011.

The forecasts and projections that make up the forward-looking information are based on assumptions, which include but are not limited to: receipt of applicable regulatory approvals; continued electricity demand; no significant operational disruptions or environmental liability due to severe weather or other acts of nature; no significant decline in capital spending in 2011; sufficient liquidity and capital resources; the continuation of regulator-approved mechanisms that permit recovery of costs; no significant variability in interest rates; no significant changes in government energy plans and environmental laws; the ability to obtain and maintain insurance coverage, licences and permits; the ability to maintain and renew collective bargaining agreements on acceptable terms; and sufficient human resources to deliver service and execute the capital program.

The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results or events to differ from current expectations include, but are not limited to: regulation; operating and maintenance; economic conditions; defined benefit pension plan performance; capital resources and liquidity; interest rates; electricity prices; purchased power cost; health, safety and the environment; insurance; weather; changes in accounting standards; information technology infrastructure; labour relations; and human resources. For additional information with respect to these risk factors, reference should be made to the section entitled "Business Risk Management" in this MD&A.

All forward-looking information in this MD&A is qualified in its entirety by this cautionary statement and, except as required by law, the Company undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

Additional information, including the Company's quarterly and annual financial statements and MD&A, annual information form and management information circular, is available on SEDAR at sedar.com.

OVERVIEW

The Company

Newfoundland Power is a regulated electricity utility that owns and operates an integrated generation, transmission and distribution system throughout the island portion of the Province of Newfoundland and Labrador. All the Company's common shares are owned by Fortis Inc. ("Fortis"), which is principally a diversified, international holding company for electricity and gas distribution utilities.

Newfoundland Power's primary business is electricity distribution. It generates approximately 7 per cent of its electricity needs and purchases the remainder from Newfoundland and Labrador Hydro ("Hydro"). Newfoundland Power serves over 244,000 customers comprising about 86 per cent of all electricity consumers in the Province.

Newfoundland Power's vision is to be a leader among North American electricity utilities in terms of safety, reliability, customer service and efficiency. The key goals of the Company are to operate sound electricity distribution systems, deliver safe reliable electricity to customers at the lowest reasonable cost and conduct business in an environmentally and socially responsible manner.

Regulation

Newfoundland Power is regulated by the Newfoundland and Labrador Board of Commissioners of Public Utilities (the "PUB"). The Company operates under cost of service regulation whereby it is entitled the opportunity to recover, through customer rates, all reasonable and prudent costs incurred in providing electricity service to its customers, including a just and reasonable return on its rate base. The rate base is the value of the net assets required to provide electricity service.

Between general rate hearings, customer rates are established annually through an automatic adjustment formula (the "Formula").The Formula sets an appropriate rate of return on common equity ("ROE") which is used to determine the rate of return on rate base. In accordance with the operation of the Formula, the Company's rate of return on common equity, for purposes of setting rates, was reduced to 8.38% for 2011 from 9.00% in 2010. The Company's rate of return on rate base was reduced to 7.96%, with a range of 7.78% to 8.14% for 2011, from 8.23%, with a range of 8.05% to 8.41% in 2010.

Effective January 1, 2011, customer electricity rates increased by an average of 0.8%. This reflects the net impact of the increase in revenue requirement due to adoption of accrual accounting for other post employment benefits effective January 2011, partially offset by operation of the Formula which reduced the Company's allowed return on rate base for 2011.

Financial Highlights

	Quarter Ended March 31		
	2011	**2010**	**Change**
Electricity Sales *(gigawatt hours, ("GWh"))* [1]	1,833.8	1,795.2	38.6
Earnings Applicable to Common Shares			
$ Millions	7.0	7.2	(0.2)
$ Per Share	0.68	0.70	(0.02)
Cash Flow from Operating Activities *($millions)*	3.6	6.1	(2.5)
Total Assets *($millions)*	1,223.2	1,188.2	35.0

[1] *Reflects normalized electricity sales.*

Electricity sales for the first quarter of 2011 increased by 38.6 GWh or approximately 2.2 per cent compared to the first quarter of 2010. This increase was composed of (i) an increase of 1.7 per cent due to customer growth; and, (ii) an increase of 0.5 per cent due to higher average consumption.

Earnings for the first quarter of 2011 decreased by $0.2 million compared to the first quarter of 2010. The decrease in earnings was primarily the result of a lower ROE embedded in customer rates, higher operating expenses and increased amortization associated with the Company's capital expenditure program. These amounts were partially offset by higher electricity sales and a lower effective tax rate.

Cash flow from operating activities for the first quarter of 2011 decreased by $2.5 million compared to the first quarter of 2010. The decrease was mainly a result of (i) timing of payments to vendors, (ii) higher income tax instalments and (iii) lower joint-use pole charges received as a result of the new support structure agreement with Bell Aliant effective January 2011. This decrease was partially offset by (i) the January 1, 2011 customer rate increase and (ii) lower purchased power payments.

Total assets increased by $35.0 million at March 31, 2011 compared to March 31, 2010. This increase was predominantly due to continued investment in the electricity system, and is consistent with the Company's strategy to provide safe, reliable electricity service at the lowest reasonable cost.

RESULTS OF OPERATIONS

Revenue

($millions)	Quarter Ended March 31 2011	2010	Change
Revenue from Rates	179.6	174.1	5.5
Amortization of Regulatory Liabilities and Deferrals	0.8	1.3	(0.5)
Other Revenue [1]	2.6	2.9	(0.3)
Total	183.0	178.3	4.7

[1] *Other revenue is composed largely of maintenance, construction and related charges associated with the new support structure arrangements with Bell Aliant effective January 2011, as well as pole attachment charges to various telecommunication companies.*

Revenue from rates for the first quarter of 2011 increased by $5.5 million compared to the first quarter of 2010. This increase primarily reflects electricity sales growth and the January 1, 2011 customer rate increase.

The amortization of regulatory liabilities and deferrals for the first quarter of 2011 include the pension expense variance deferral ("PEVDA") and the OPEBs cost variance deferral. The amortization of the unbilled revenue and municipal tax regulatory liability expired December 2010. The amounts recorded are in accordance with PUB orders. These regulatory liabilities and deferrals are described in Notes 2 and 4 to the Company's 2010 annual audited financial statements.

Other revenue decreased by $0.3 million compared to the first quarter of 2010. The decrease relates to the new support structure agreement with Bell Aliant effective January 2011. See Outlook Section of this MD&A.

Purchased Power: Purchased Power expense for the first quarter of 2011 increased by $2.8 million compared to the first quarter of 2010. The quarterly increase resulted mainly from electricity sales growth.

Operating Expense: Operating Expense for the first quarter of 2011 was $1.1 million higher than the first quarter of 2010. Wage and inflationary increases, higher distribution maintenance costs, and the timing of operating labour costs were partially offset by lower retirement and severance expenses. Operating labour costs were also higher because the majority of training for the year was completed in the first quarter of 2011. Also contributing to the increase over last year was the better weather conditions in the first quarter of 2010 which allowed for an earlier start to capital projects and the increased capital work associated with the ice storm in March 2010.

Employee Future Benefits: Employee Future Benefits for the first quarter of 2011 were $3.1 million higher compared to the first quarter of 2010. Approximately $1.0 million of the increase was primarily due to the amortization of experience losses from prior years associated with the pension plan assets and a lower discount rate at December 31, 2010, which is used to determine the Company's accrued benefit pension obligation associated with its defined benefit pension plan.

The remaining increase of $2.1 million relates to higher OPEBs costs. Effective January 1, 2011 pursuant to a PUB order, (i) the Company recognized OPEBs costs based on the accrual method of accounting and (ii) commenced amortization of the OPEBs regulatory asset of $52.6 million over 15 years.

Amortization: Amortization expense for the first quarter of 2011 was $0.2 million lower compared to the first quarter of 2010. The decrease was primarily the result of lower depreciable assets resulting from the new support structure agreement with Bell Aliant effective January 1, 2011. See assets held for sale (Note 6). This was partially offset by increased amortization relating to the Company's capital expenditure program.

Amortization True-Up Deferral: Amortization of property, plant and equipment is subject to periodic review by external experts via an amortization study. Based on a 2002 amortization study, the PUB ordered the deferred recovery of approximately $11.6 million, $5.8 million in each of 2006 and 2007, related to a variance in accumulated amortization. These deferrals were recorded as an increase in regulatory assets and a decrease in expenses in each year and were amortized evenly through 2008-2010.

Cost Recovery Deferral: The PUB approved the deferred recovery of $2.4 million of costs in 2011 due to increased costs associated with expiring regulatory amortizations, related to unbilled revenue, municipal tax liability, amortization true-up deferral, replacement energy deferral, purchased power unit cost variance deferral, and deferred GRA costs. The deferral was recorded as an increase in regulatory assets and a decrease in expense of approximately $0.6 million in the first quarter of 2011.

Finance Charges: Finance charges for the first quarter of 2011 were comparative to the first quarter of 2010. Additional borrowings under the Company's credit facility and higher short-term interest rates were offset by a reduction in interest on long-term debt after the annual sinking fund payment made in October 2010. The higher short term interest rates are reflective of current market conditions.

Income Taxes: Income taxes for the first quarter of 2011 were $0.4 million lower than the first quarter of 2010. The decrease in income tax expense primarily reflects lower pre-tax earnings and a lower effective income tax rate. The lower effective income tax rate primarily resulted from a reduction in the statutory tax rate.

FINANCIAL POSITION

Explanations of the primary causes of significant changes in the Company's balance sheets between December 31, 2010 and March 31, 2011 follow:

($millions)	Increase (Decrease)	Explanation
Accounts Receivable	25.5	Increase due to higher electricity sales, reflecting the seasonal nature of electricity consumption for heating; a January 1, 2011 rate increase; and normal timing differences relating to both the operation of the Company's equal payment plan for its customers, and the collection and payment of municipal taxes.
Property, Plant and Equipment	4.3	Investment in electricity system, in accordance with 2011 capital expenditure program, offset partially by amortization and customer contributions in aid of construction.
Regulatory Assets	3.8	Increase in rate stabilization account and energy supply cost variance reserve due to their normal operation; new cost recovery deferral effective January 1, 2011 and an increase in future income taxes associated with regulatory assets.
Accounts Payable and Accrued Charges	9.6	Increase due to higher payable for purchased power and timing differences in scheduled interest payments.
Regulatory Liabilities	5.3	Increase primarily due to normal operation of the PEVDA and weather normalization account.
Long-term Debt, including Current Portion	13.1	Represents additional debt required to finance growth in rate base and ongoing operating activities.

LIQUIDITY AND CAPITAL RESOURCES

The primary sources of liquidity and capital resources are net funds generated from operations, debt capital markets and bank credit facilities. These sources are used primarily to satisfy capital and intangible asset expenditures, service and repay debt, and pay dividends. A summary of first quarter cash flows and cash position for 2011 and 2010 follows:

	Quarter Ended March 31		
($millions)	2011	2010	Change
Cash, Beginning of Period	4.2	5.3	(1.1)
Operating Activities	3.6	6.1	(2.5)
Investing Activities	(13.5)	(16.2)	2.7
Financing Activities			
Net Credit Facilities Borrowings	13.5	11.5	2.0
Dividends	(5.2)	(4.1)	(1.1)
	8.3	7.4	0.9
Cash, End of Period	2.6	2.6	0.0

Operating Activities

First quarter cash flow from operating activities, for 2011 compared to 2010, decreased by $2.5 million. The decrease was mainly a result of (i) timing of payments to vendors, (ii) higher income tax instalments and (iii) lower joint-use pole charges received as a result of the new support structure arrangements with Bell Aliant effective January 2011. This decrease was partially offset by (i) the January 1, 2011 customer rate increase and (ii) lower purchased power payments.

The operating cash flow in the first quarter is typically lower reflecting the temporary timing differences in non-cash working capital relating primarily to the receipt and payment of municipal tax and to the Company's equal payment plan for its electricity customers.

Municipal tax for each calendar year is generally paid to municipalities in the first quarter of the year. Municipal tax is collected from customers through their monthly electricity bills for the calendar year. The result is a net outflow of cash in the first quarter of each year and a net inflow over the remaining quarters.

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

Investing Activities

First quarter cash flow used in investing activities, for 2011 compared to 2010, decreased by $2.7 million. The decrease was due primarily to capital work associated with the ice storm in March 2010.

A summary of first quarter 2011 and 2010 capital and intangible asset expenditures follows.

	Quarter Ended March 31		
($millions)	2011	2010	Change
Electricity System			
Generation	0.4	0.4	-
Transmission	0.4	1.3	(0.9)
Substations	2.2	1.6	0.6
Distribution	7.6	9.2	(1.6)
Intangible Assets and Other	3.1	4.2	(1.1)
Capital and Intangible Asset Expenditures	13.7	16.7	(3.0)

The Company's business is capital intensive. Capital investment is required to ensure continued and enhanced performance, reliability and safety of the electricity system and to meet customer growth. All costs considered to be repairs and maintenance are expensed as incurred. Capital investment also arises for information technology systems and for general facilities, equipment and vehicles. Capital expenditures, and property, plant and equipment repairs and maintenance expense, can vary from quarter-to-quarter and year-to-year depending upon both planned system expenditures and unplanned expenditures arising from weather or other unforeseen events.

The Company's annual capital plan requires prior PUB approval. The PUB has approved the Company's 2011 Capital Plan which provides for capital expenditures of $73.0 million, approximately half of which relate to construction and capital maintenance of the electricity distribution system. Variances between actual and planned expenditures are generally subject to PUB review prior to inclusion in the Company's rate base. The Company's capital expenditures, including unforeseen capital spending, are forecasted to be $72.7 million for 2011.

Financing Activities

First quarter cash flow from financing activities, for 2011 compared to 2010, increased by $0.9 million. The increase in cash required from financing activities was primarily the result of lower cash from operations available and higher common share dividend payments offset by lower capital expenditures during the first quarter of 2011. The Company's common share dividend policy is to maintain a capital structure composed of 55 per cent debt and 45 per cent common equity.

The Company has historically generated sufficient annual cash flows from operating activities to service annual interest and sinking fund payments on debt, to pay dividends and to finance a major portion of its annual capital program. Additional financing to fully fund the annual capital program is primarily obtained through the Company's bank credit facilities and these borrowings are periodically refinanced along with any maturing bonds through the issuance of long-term first mortgage sinking fund bonds. The Company currently does not expect any material changes in these annual cash flow and financing dynamics over the foreseeable future, with the exception of an increase in cash flow from the proceeds of the Bell Aliant joint-use pole sale which is expected to extend the timing of the next bond issue.

Debt: The Company's credit facilities are comprised of a $100.0 million committed revolving term credit facility ("Committed Facility") and a $20.0 million demand facility. Details follow:

($millions)	March 31, 2011	December 31, 2010
Total Credit Facilities	120.0	120.0
Borrowing, Committed Facility	(28.0)	(15.0)
Borrowing, Demand Facility	(0.5)	-
Credit Facilities Available	91.5	105.0

The committed facility matures in August 2013. Subject to lenders' approval, two years prior to maturity, the Company may request an extension for a further period of 364 days, or alternatively, one year prior to maturity, the Company may request an extension for a further period of up to one year and 364 days.

Pensions: As at March 31, 2011, the fair value of the Company's primary defined benefit pension plan assets was $275.4 million compared to fair value of plan assets of $269.3 million as at December 31, 2010. The $6.1 million increase in fair value of plan assets was primarily due to favourable market conditions.

Based on the latest Actuarial Valuation for funding purposes as at December 31, 2008, the solvency deficit was $6.9 million ($7.7 million inclusive of interest). The solvency deficit is being funded over a five-year period, which commenced in 2009. The Company fulfilled $1.0 million of its 2011 annual solvency deficit funding requirement in the first quarter of 2011. The remaining $0.5 million will be funded during the second quarter of 2011.

Newfoundland Power makes minimum defined benefit pension funding contributions, which according to the latest Actuarial Valuation are expected to be $5.2 million in 2011, $1.6 million in 2012 and $1.5 million in 2013. Future actuarial valuations will establish the funding obligations for subsequent years, which could be materially different from prior years depending on the market conditions. The next required funding valuation is expected to be completed as at December 31, 2011.

The Company does not expect any difficulty in its ability to meet current or future pension funding requirements as it expects the amounts will be financed from a combination of cash generated from operations and amounts available for borrowing under existing credit facilities.

Contractual Obligations: Details, as at March 31, 2011, of all contractual obligations over the subsequent five years and thereafter, follow.

($millions)	Total	Due Within 1 Year	Due in Years 2 & 3	Due in Years 4 & 5	Due After 5 Years
Credit Facilities (unsecured)	28.5	0.5	28.0	-	-
First Mortgage Sinking Fund Bonds [1]	463.7	5.2	10.4	38.6	409.5
Total	492.2	5.7	38.4	38.6	409.5

[1] *First mortgage sinking fund bonds are secured by a first fixed and specific charge on property, plant and equipment owned or to be acquired by the Company, by a floating charge on all other assets and carry customary covenants.*

Credit Ratings and Capital Structure: To ensure continued access to capital at reasonable cost, the Company endeavours to maintain its investment grade credit ratings. Details of the Company's investment grade bond ratings follow.

Rating Agency	March 31, 2011		December 31, 2010	
	Rating	Outlook	Rating	Outlook
Moody's Investors Service	A2	Stable	A2	Stable
DBRS	A	Stable	A	Stable

During the first quarter of 2011, DBRS issued an updated credit rating report confirming the Company's existing investment grade bond rating and rating outlook. The Company's investment grade bond rating and rating outlook from DBRS and Moody's remain unchanged from 2010.

Newfoundland Power manages common share dividends to maintain a capital structure composed of 55 per cent debt and 45 per cent common equity. This capital structure is reflected in customer rates and is consistent with the Company's current investment grade credit ratings.

The Company's capital structure follows:

	March 31, 2011		December 31, 2010	
	$millions	%	$millions	%
Total Debt [1]	486.5	54.2	471.3	53.5
Common Equity	402.4	44.8	400.5	45.5
Preference Equity	9.1	1.0	9.1	1.0
Total	898.0	100.0	880.9	100.0

[1] *Includes bank indebtedness, or net of cash and debt issue costs, if applicable.*

The Company expects it will be able to maintain its current investment grade credit ratings in 2011.

Capital Stock and Dividends: During the first quarters of 2011 and 2010, the weighted average number of common shares outstanding was 10,320,270. Dividends on common shares, for the first quarter 2011, compared to 2010, were $1.1 million higher. In the first quarter of 2011, common share dividends increased to $0.49 per share compared to $0.38 per share in the first quarter of 2010. The increase in common shares dividends was to maintain an average capital structure that includes approximately 45 per cent common equity.

There were no changes to the number of preference shares during the first quarter.

RELATED PARTY TRANSACTIONS

The Company provides services to, and receives services from, its parent company, Fortis and other subsidiaries of Fortis. The Company also incurs charges from Fortis for the recovery of general corporate expenses incurred by Fortis. These transactions are in the normal course of business and are recorded at their exchange amounts.

Related party transactions included in revenue and operating expenses for the first quarter of 2011 and 2010 follow:

($millions)	2011	2010
Revenue [1]	1.3	1.3
Operating Expenses	0.8	0.4

[1] *Includes charges for electricity consumed.*

Related party transactions included in accounts receivable at March 31, 2011 were $0.1 million, consistent with December 31, 2010.

FINANCIAL INSTRUMENTS

The carrying values of financial instruments included in current assets, current liabilities, other financial assets, and other financial liabilities approximate their fair value, reflecting their nature, short-term maturity or normal trade credit terms. The fair value of long-term debt is calculated by discounting the future cash flows of each debt instrument at the estimated yield-to-maturity equivalent to benchmark government bonds, with similar terms to maturity, plus a market credit risk premium equal to that of issuers of similar credit quality. Since the Company does not intend to settle its debt instruments before maturity, the fair value estimate does not represent the actual liability, and therefore, does not include exchange or settlement costs.

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

	March 31, 2011		December 31, 2010	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt, including current portion and committed credit facility	491.7	581.8	478.7	581.3

BUSINESS RISK MANAGEMENT

There were no material changes to the Company's business risks during the first quarter of 2011.

FUTURE ACCOUNTING CHANGES

Adoption of New Accounting Standards: Due to the continued uncertainty around the timing and adoption of a rate-regulated accounting standard by the International Accounting Standards Board ("IASB"), the Company is evaluating the option of adopting US GAAP, as opposed to International Financial Reporting Standards ("IFRS"), effective January 1, 2012. Canadian rules allow a reporting issuer to prepare and file its financial statements in accordance with US GAAP by qualifying as a Securities and Exchange Commission ("SEC") Issuer. The Company is currently assessing the requirements to become an SEC issuer. Barring a change that will provide certainty as to the Company's ability to recognize regulatory assets and liabilities under IFRS, the Company expects to prepare its financial statements in accordance with US GAAP for all interim and annual periods beginning on or after January 1, 2012. Several other Canadian investor-owned rate-regulated utilities are also expected to take a similar approach to possible adoption of US GAAP in 2012.

The adoption of US GAAP in 2012 is expected to result in fewer significant changes in the Company's accounting policies as compared to accounting policy changes that may have resulted with the adoption of IFRS. Current Canadian GAAP relies on US GAAP for guidance on accounting for rate-regulated activities which allows the economic impact of rate-regulated activities to be recognized in the financial statements in a manner consistent with the timing by which amounts are reflected in customer rates.

The Company believes that the continued application of rate-regulated accounting, and the associated recognition of regulatory assets and liabilities under US GAAP, more accurately reflects the impact that rate regulation has on the Company's financial position and results of operations.

During the first quarter, the Company substantially completed the identification of high-level differences between US GAAP and Canadian GAAP. A detailed analysis is needed to conclude as to the nature and the extent of differences; and to identify SEC registration procedures and subsequent reporting requirements. External accounting and legal advisors were engaged to assist the Company and to provide technical input and expertise as required.

The detailed diagnostics and evaluation of both the financial and operational impacts of adopting US GAAP, including the quantification of differences between US GAAP and Canadian GAAP and reconciliation of the Company's financial statements from Canadian GAAP to US GAAP for 2009 and 2010 and identification and design of operational and financial business processes is expected to be completed by September 30, 2011.

Should the Company not adopt US GAAP, Newfoundland Power will be required to adopt IFRS effective January 1, 2012.

CRITICAL ACCOUNTING ESTIMATES

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

QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the eight quarters ended June 30, 2009 through March 31, 2011. The quarterly information has been obtained from the Company's interim unaudited financial statements which, in the opinion of management, have been prepared in accordance with Canadian GAAP for rate-regulated entities. The timing and recognition of certain assets, liabilities, revenue and expense, as a result of regulation, may differ from that otherwise expected using Canadian GAAP for non-regulated entities. These financial results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

	First Quarter March 31		Second Quarter June 30		Third Quarter September 30		Fourth Quarter December 31	
(unaudited)	2011	2010	2010	2009	2010	2009	2010	2009
Electricity Sales *(GWh)*	1,833.8	1,795.2	1,220.2	1,177.2	915.4	885.0	1,488.2	1,473.9
Revenue *($millions)*	183.0	178.3	126.2	118.1	99.0	92.9	151.5	146.5
Earnings Applicable to Common Shares *($millions)*	7.0	7.2	11.0	10.7	7.6	7.1	9.2	8.6
Earnings per Common Share *($)* [1]	0.68	0.70	1.06	1.04	0.74	0.68	0.89	0.84

[1] *Basic and fully diluted.*

Seasonality

Sales and Revenue: Interim financial results reflect the seasonality of electricity sales for heating. Sales and revenue are significantly higher in the first quarter and significantly lower in the third quarter compared to the remaining quarters. This reflects the seasonality of electricity consumption for heating.

Earnings: Beyond the seasonality of electricity consumption for heating, quarterly earnings are impacted by the purchased power rate structure. The Company pays more, on average, for each kilowatt hour ("kWh") of purchased power in the winter months and less, on average, for each KWh of purchased power in the summer months.

These sales, revenue and cost dynamics are expected to yield lower earnings in the first quarter compared to remaining quarters within any given year.

Trending

Sales and Revenue: Year-over-year quarterly electricity sales increases primarily reflect modest customer growth.

Earnings: Beyond the impact of expected moderate sales growth, future quarterly earnings and earnings per share are expected to trend with the ROE reflected in customer rates and rate base growth.

OUTLOOK

The Company's strategy will remain unchanged.

Newfoundland Power is regulated under a cost of service regime. Cost of service regulation entitles the Company to an opportunity to recover its reasonable cost of providing service, including its cost of capital, in each year. Newfoundland Power expects to maintain its investment grade credit ratings in 2011. The Company is currently assessing the requirement for it to file an application with the PUB to recover expected increased costs in 2012.

Support Structure Agreement: On January 1, 2011, the new support structure arrangements with Bell Aliant went into effect. Bell Aliant will buy back 40% of all joint-use poles and related infrastructure at a price of approximately $45.7 million. This represents approximately 5% of Newfoundland Power's rate base. In 2001, Newfoundland Power purchased Bell Aliant's (formerly Aliant Telecom Inc.) joint-use poles and related infrastructure under a 10-year Joint Use Facilities Partnership Agreement ("JUFPA") which expired December 31, 2010. Bell Aliant has rented space on these poles from Newfoundland Power since 2001 with the right to repurchase 40% of all joint-use poles at the end of the term. Bell Aliant exercised the option to buy back these poles from Newfoundland Power in 2010.

The new arrangements with Bell Aliant are subject to certain conditions, including PUB approval of the sale of 40% of the Company's joint-use poles, which must be met by both parties by June 30, 2011, or either party may choose to terminate. In the event of termination the rights and recourses under the JUFPA will remain in effect for both parties. The Company filed an application with the PUB on February 4, 2011 and expects the transaction to close in 2011.

The Company has recorded assets held for sale in the amount of $44.7 million which represents the estimated purchased price less cost to sell. The estimated purchase price will be adjusted upon completion of a pole survey later this year. Effective January 1, 2011, the Company is no longer receiving pole rental revenue from Bell Aliant. Newfoundland Power is responsible for the construction and maintenance of Bell Aliant's support structure requirements throughout 2011. Newfoundland Power will also recover its financing costs on the assets held for sale up to and including the close of the sale. The new arrangements with Bell Aliant are not expected to materially impact the Company's ability to earn a reasonable return on its rate base in 2011. The Company is currently working with Bell Aliant regarding the future operational and financial aspects of this transaction beyond 2011. The Company anticipates the proceeds from this transaction will be used to pay down its short-term debt and maintain its capital structure of 45% common equity.

Optional Seasonal Rate for Domestic Customers: On March 11, 2011, the Company submitted an application to the PUB relating to an Optional Seasonal Rate for Domestic customers effective July 1, 2011. This optional seasonal rate charges a higher price for electricity during the months of December to April and a lower rate for May to November. The company sought approval of (i) the Optional Seasonal Rate, (ii) 2011 capital expenditures required to facilitate implementation of the Optional Seasonal Rate, and (iii) an Optional Rates Revenue and Cost Recovery Account that provides for the deferral of annual costs and revenue effects associated with implementing optional rates. On April 13, 2011, the PUB approved this application.

Customer Rates: It is expected that there will be an increase in electricity rates charged to customers effective July 1, 2011. The increase is primarily a result of the normal annual operation of Hydro's Rate Stabilization Plan ("Hydro RSP"). Variances in the cost of fuel used to generate electricity Hydro sells to Newfoundland Power are captured and flowed-through to the Company's customers through the operation of its Rate Stabilization Account ("RSA"). Over the past 12 months, the price of oil required for electricity generation by Hydro was higher than forecasted. The operation of the RSA further captures variances in Newfoundland Power's cost such as pension cost variances and energy supply cost variances. The Company expects to file an RSA rate application with the PUB by the end of May 2011 seeking an increase in customer electricity rates of approximately 8% principally due to increased prices of oil used to generate electricity.

CORPORATE INFORMATION

All of the common shares of Newfoundland Power are owned by Fortis.

Fortis Inc. is the largest investor-owned distribution utility in Canada, with total assets of $12.9 billion and fiscal 2010 revenue totalling approximately $3.7 billion. The Corporation serves approximately 2.1 million gas and electricity customers. Its regulated holdings include electric distribution utilities in five Canadian provinces and three Caribbean countries and a natural gas utility in British Columbia. Fortis owns and operates non-regulated generation assets across Canada and in Belize and Upper New York State. It also owns hotels and commercial real estate across Canada. Fortis shares are listed on the Toronto Stock Exchange and trade under the symbol FTS. Additional information can be accessed at www.fortisinc.com or www.sedar.com.

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www.computershare.com

Website: www.newfoundlandpower.com

Unaudited Statements of Earnings
For the Three Months Ended March 31
(in thousands of Canadian dollars, except per share amounts)

	2011	2010
Revenue	$ 182,966	$ 178,274
Purchased Power	134,027	131,188
Gross Margin	48,939	47,086
Operating expenses	14,782	13,724
Employee future benefits *(Note 10)*	5,124	2,040
Amortization	10,227	10,396
Amortization true-up deferral	-	965
Cost recovery deferral *(Note 2)*	(591)	-
Finance charges *(Note 4)*	9,024	8,992
	38,566	36,117
Earnings Before Income Taxes	10,373	10,969
Income taxes *(Note 5)*	3,251	3,634
Net Earnings	7,122	7,335
Preference share dividends	142	142
Net Earnings Applicable to Common Shares	$ 6,980	$ 7,193
Basic and Diluted Earnings per Common Share	$ 0.68	$ 0.70

Unaudited Statements of Retained Earnings
For the Three Months Ended March 31
(in thousands of Canadian dollars)

	2011	2010
Balance, Beginning of the Period	$ 330,181	$ 310,864
Net earnings	7,122	7,335
Dividends		
Preference shares	(142)	(142)
Common shares	(5,057)	(3,924)
Balance, End of the Period	$ 332,104	$ 314,133

See accompanying notes to financial statements.

Unaudited Balance Sheets
As at
(in thousands of Canadian dollars)

	March 31, 2011	December 31, 2010
Assets		
Current assets		
Cash	$ 2,598	$ 4,182
Accounts receivable	87,198	61,654
Regulatory assets *(Note 2)*	13,209	11,536
Materials and supplies	1,098	992
Prepaid expenses	1,358	1,327
	105,461	79,691
Property, plant and equipment	780,689	776,382
Regulatory assets *(Note 2)*	177,689	175,593
Accrued pension	97,968	97,755
Assets held for sale *(Note 6)*	44,698	44,698
Intangible assets	15,121	15,310
Other assets	1,568	1,647
	$ 1,223,194	$ 1,191,076
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings	$ 525	$ -
Accounts payable and accrued charges	73,822	64,269
Regulatory liabilities *(Note 2)*	2,312	-
Current instalments of long-term debt *(Note 7)*	5,200	5,200
Future income taxes *(Note 5)*	2,408	3,211
Income taxes payable	5,137	4,302
	89,404	76,982
Regulatory liabilities *(Note 2)*	60,375	57,371
Other post-employment benefits	53,457	52,559
Other liabilities	4,180	4,253
Future income taxes *(Note 5)*	120,887	120,016
Long-term debt *(Note 7)*	483,355	470,282
	811,658	781,463
Shareholders' equity		
Common shares	70,321	70,321
Preference shares	9,111	9,111
Retained earnings	332,104	330,181
	411,536	409,613
	$ 1,223,194	$ 1,191,076

Commitments *(Note 11)*

See accompanying notes to financial statements.

Unaudited Statements of Cash Flows

For the Three Months Ended March 31

(in thousands of Canadian dollars)

	2011	2010
Cash From (Used in) Operating Activities		
Net earnings	$ 7,122	$ 7,335
Items not affecting cash		
Amortization of property, plant and equipment	9,621	9,687
Amortization of intangible assets and other	679	767
Change in regulatory assets and liabilities	2,152	2,429
Future income taxes	(1,409)	(966)
Employee future benefits	735	(1,189)
	18,900	18,063
Change in non-cash working capital	(15,293)	(11,955)
	3,607	6,108
Cash From (Used In) Investing Activities		
Capital expenditures	(13,241)	(16,307)
Intangible asset expenditures	(417)	(412)
Contributions from customers	185	538
Other	(44)	(1)
	(13,517)	(16,182)
Cash From (Used In) Financing Activities		
Change in short-term borrowings	525	-
Net proceeds of committed credit facility	13,000	11,500
Dividends		
Preference shares	(142)	(142)
Common shares	(5,057)	(3,924)
	8,326	7,434
Decrease in Cash	(1,584)	(2,640)
Cash, Beginning of the Period	4,182	5,308
Cash, End of the Period	$ 2,598	$ 2,668
Cash flows include the following elements:		
Interest paid	$ 5,220	$ 5,199
Income taxes paid	$ 3,443	$ 2,910

See accompanying notes to financial statements.

Unaudited Notes to Interim Financial Statements

For the Three Months Ended March 31, 2011 and 2010 (unless otherwise noted)

Tabular amounts are in thousands of Canadian dollars unless otherwise noted.

1. Basis of Presentation

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial statements and do not include all of the disclosures provided in Newfoundland Power Inc.'s (the "Company" or "Newfoundland Power") annual audited financial statements. These interim financial statements should be read in conjunction with the Company's 2010 annual audited financial statements.

The accounting policies and methods of their application, followed in the preparation of these interim financial statements are the same as those followed in the preparation of the Company's 2010 annual audited financial statements.

2. Regulatory Assets and Liabilities

As a result of rate regulation, the timing of the recognition of certain assets, liabilities, revenues and expenses may differ from that otherwise expected under Canadian GAAP for entities not subject to rate regulation. The underlying accounting practices, which result in the recognition of regulatory assets and regulatory liabilities, are disclosed in Notes 2 and 4 to the Company's 2010 annual audited financial statements.

Regulatory assets and liabilities arise as a result of the rate setting process. Regulatory assets represent future revenues associated with certain costs incurred in the current or prior periods that will be, or are expected to be, recovered from customers in future periods through the rate setting process. Regulatory liabilities represent future reductions or limitations of increases in revenues associated with amounts that will be, or are expected to be, refunded to customers through the rate setting process. The regulatory assets and liabilities, and their eventual settlement through the rate setting process, are prescribed by the Newfoundland and Labrador Board of Commissioners of Public Utilities (the "PUB") and impact the Company's cash flows.

The Company's regulatory assets and liabilities which will be, or are expected to be, reflected in customer rates in future periods, follow:

	March 31, 2011		December 31, 2010	
	Current	Non-Current	Current	Non-Current
Regulatory Assets				
Rate stabilization account	$ 4,323	$ 1,325	$ 1,847	$ 1,876
Other Post Employment Benefits ("OPEBs")	3,504	48,180	3,504	49,055
Weather normalization account	2,102	1,577	2,102	2,102
Pension deferral	1,128	3,383	1,128	3,665
Deferred GRA costs	253	190	253	253
Energy supply cost variance reserve	-	1,755	-	-
Conservation and demand management deferral	339	594	339	678
Cost recovery deferral[1]	-	591	-	-
Future income taxes	1,560	120,094	2,363	117,964
	$ 13,209	$ 177,689	$ 11,536	$ 175,593
Regulatory Liabilities				
Pension expense variance deferral account	$ 2,166	$ -	$ -	$ -
OPEBs cost variance deferral account [2]	146	-	-	-
Demand management incentive account	-	-	-	994
Future removal and site restoration provision	-	50,357	-	49,485
Weather normalization account	-	10,018	-	6,892
	$ 2,312	$ 60,375	$ -	$ 57,371

[1] *Effective January 1, 2011, the PUB ordered the deferred recovery of $2,363,000 due to the conclusion of regulatory amortizations associated with unbilled revenue, municipal tax liability, amortization true-up deferral, replacement energy deferral, purchased power unit cost variance deferral, and deferred GRA costs. The disposition of balances in this account will be determined by a further order of the PUB.*

[2] *Effective January 1, 2011, the PUB ordered the creation of an OPEBs cost variance deferral account. This account will be charged or credited with the amount by which annual OPEBs expense, recorded in accordance with Canadian GAAP, differs from amounts approved in rates by the PUB. Each year, at March 31, the balance in the OPEBs cost variance deferral account will be transferred and disposed of through the Company's RSA.*

3. Seasonality

Sales and Revenue: Interim financial results reflect the seasonality of electricity sales for heating. Sales and revenue are significantly higher in the first quarter and significantly lower in the third quarter compared to the remaining quarters. This reflects the seasonality of electricity consumption for heating.

Earnings: Beyond the seasonality of electricity consumption for heating, quarterly earnings are impacted by the purchased power rate structure. The Company pays more, on average, for each kilowatt hour ("kWh") of purchased power in the winter months and less, on average, for each KWh of purchased power in the summer months.

These sales, revenue and cost dynamics are expected to yield lower earnings in the first quarter compared to remaining quarters within any given year.

4. Finance Charges

	Three Months Ended March 31	
	2011	2010
Interest - first mortgage sinking fund bonds	$ 8,886	$ 8,988
Interest - committed credit facility	166	50
Interest - other	3	1
Total interest expense	9,055	9,039
Amortization - debt issue costs	47	48
Amortization – committed credit facility costs	25	-
Amortization - capital stock issue costs	-	9
Allowance for funds used during construction ("AFUDC")	(103)	(104)
	$ 9,024	$ 8,992

5. Income Taxes

Income taxes vary from the amount that would be determined by applying statutory income tax rates to pre-tax earnings. A reconciliation of the combined federal and provincial statutory income tax rate to the Company's effective income tax rate follows:

	Three Months Ended March 31	
	2011	2010
Accounting income per financial statements	$ 10,373	$ 10,969
Statutory tax rate	30.5%	32.0%
Expected tax expense (*statutory rate)*	3,164	3,510
Items capitalized vs. expensed	(265)	(296)
Capital cost allowance vs. amortization	243	247
Pension funding vs. pension expense	9	9
OPEB benefits paid vs. OPEB expense	22	-
Other timing difference	63	241
Unbilled revenue	-	(313)
Regulatory deferrals	15	236
Income tax expense	$ 3,251	$ 3,634
Effective income tax rate	31.3%	33.1%

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

	Three Months Ended March 31	
	2011	2010
Current income tax expense	$ 4,660	$ 4,601
Future income tax expense	68	5,859
Regulatory adjustment	(1,477)	(6,826)
	$ 3,251	$ 3,634

The composition of the Company's future income tax liability follows:

	March 31, 2011	December 31, 2010
Future income tax liability (asset)		
Property, plant and equipment/intangibles	$ 104,756	$ 102,964
Regulatory assets	25,425	25,988
Regulatory liabilities	(24,660)	(23,463)
Employee future benefits	16,609	16,541
Debt financing costs	1,165	1,197
Net future income tax liability	$ 123,295	$ 123,227
Current future income tax liability	2,408	3,211
Long-term future income tax liability	120,887	120,016
Net future income tax liability	$ 123,295	$ 123,227

As at March 31, 2011, the Company had no capital losses (2010 - Nil) carried forward.

6. Assets Held for Sale

On December 22, 2010 the Company signed new support structure arrangements, effective January 1, 2011, with Bell Aliant (formerly Aliant Telecom Inc.) where Bell Aliant will buy back 40% of all joint-use poles and related infrastructure at a price of approximately $45.7 million. This represents approximately 5% of Newfoundland Power's rate base. In 2001, Newfoundland Power purchased Bell Aliant's joint-use poles and related infrastructure under a 10-year Joint Use Facilities Partnership Agreement ("JUFPA") which expired December 31, 2010. Bell Aliant has rented space on these poles from Newfoundland Power since 2001 with the right to repurchase 40% of all joint-use poles at the end of the term. Bell Aliant exercised the option to buy back these poles from Newfoundland Power.

At December 31, 2010, the Company recorded assets held for sale in the amount of $ 44.7 million which represents the estimated purchased price less cost to sell. The estimated purchased price is expected to be adjusted upon completion of a pole survey in 2011. Effective January 1, 2011, as a result of the sale, the Company will no longer be receiving pole rental revenue from Bell Aliant. However, Newfoundland Power will be responsible for the construction and maintenance of Bell Aliant's support structures throughout 2011.

The new arrangements with Bell Aliant are subject to certain conditions, including PUB approval of the sale of 40% of the Company's joint-use poles, which must be met by June 30, 2011, or either party may choose to terminate. In the event of termination the rights and recourses under the JUFPA will remain in effect for both parties. The Company filed an application with the PUB on February 4, 2011, and expects the transaction to close in 2011.

7. Long-term Debt

	March 31, 2011	December 31, 2010
First mortgage sinking fund bonds	$ 463,688	$ 463,688
Committed credit facility	28,000	15,000
	491,688	478,688
Less: current instalments of long-term debt	5,200	5,200
	486,488	473,488
Less: debt issue costs	3,133	3,206
	$ 483,355	$ 470,282

8. Capital Management

Newfoundland Power's primary objectives when managing capital are (i) to ensure continued access to capital at reasonable cost and (ii) to provide an adequate return to its common shareholder commensurate with the level of risk associated with the shareholder's investment in the Company.

The Company requires ongoing access to capital because its business is capital intensive. Capital investment is required to ensure continued and enhanced performance, reliability and safety of its electricity system and to meet customer growth.

The Company operates under cost of service regulation. The cost of capital is ultimately borne by its customers. Access to capital at reasonable cost is a core aspect of the Company's business strategy, which is to operate a sound electricity system and to focus on the safe, reliable delivery of electricity service to its customers in the most cost-efficient manner possible.

The capital managed by the Company is composed of debt (first mortgage sinking fund bonds, bank credit facilities, short-term borrowings and cash/bank indebtedness), common equity (common shares and retained earnings) and preference equity.

The Company has historically generated sufficient cash flows from operating activities to service annual interest and sinking fund payments on debt, to pay dividends and to finance a major portion of its annual capital program. Additional financing to fully fund the annual capital program is primarily obtained through the Company's bank credit facilities and these borrowings are periodically refinanced along with any maturing bonds through the issuance of long-term first mortgage sinking fund bonds. The Company currently does not expect any material changes in these basic cash flow and financing dynamics over the foreseeable future, with the exception of an increase in cash flow from the Bell Aliant joint-use pole sale (Note 6) which is expected to extend the timing of the next bond issue.

Newfoundland Power endeavours to maintain a capital structure comprised of approximately 55% debt and 45% common equity. This capital structure is reflected in customer rates. It is also consistent with the Company's current investment grade credit ratings, thereby ensuring continued access to capital at reasonable cost. The Company maintains this capital structure primarily by managing its common share dividends.

A summary of the Company's capital structure follows:

	March 31, 2011		December 31, 2010	
	$	%	$	%
Debt [1]	486,482	54.2	471,300	53.5
Common equity	402,425	44.8	400,502	45.5
Preference equity	9,111	1.0	9,111	1.0
	898,018	100.0	880,913	100.0

[1] *Includes bank indebtedness, or net of cash, if applicable*

The issuance of debt with a maturity that exceeds one year requires the prior approval of the Company's regulator. The issuance of first mortgage sinking fund bonds is subject to an earnings covenant whereby the ratio of: (i) annual earnings applicable to common shares, before bond interest and tax, to (ii) annual bond interest incurred plus annual bond interest to be incurred on the contemplated bond issue, must be two times or higher. Under its committed credit facility, the Company must also ensure that its Debt to Capitalization ratio does not exceed 0.65:1.00 at any time. At March 31, 2011, the Company was in compliance with all of its debt covenants.

9. Financial Instruments

The Company has designated its financial instruments as follows:

	March 31, 2011		December 31, 2010	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Held for trading				
Cash	$ 2,598	$ 2,598	$ 4,182	$ 4,182
Loans and receivables				
Accounts receivable	87,198	87,198	61,654	61,654
Customer finance plans [1]	1,568	1,568	1,647	1,647
Other financial liabilities				
Short-term borrowing	525	525	-	-
Accounts payable and accrued charges	73,822	73,822	64,269	64,269
Security deposits [2]	1,091	1,091	705	705
Long-term debt, including current portion and committed credit facility	$ 491,688	$ 581,777	$ 478,688	$ 581,275

[1] *Included in other assets on the balance sheet.*
[2] *Included in other liabilities on the balance sheet.*

Fair Values: The fair value of long-term debt, including current portion and committed credit facility, is calculated by discounting the future cash flows of each debt instrument at the estimated yield-to-maturity equivalent to benchmark government bonds, with similar terms to maturity, plus a market credit risk premium equal to that of issuers of similar credit quality. Since the Company does not intend to settle its debt instruments before maturity, the fair value estimate does not represent an actual liability and, therefore, does not include exchange or settlement costs.

The fair value of the Company's remaining financial instruments approximates their carrying value, reflecting their nature, short-term maturity or normal trade credit terms.

The fair value of the Company's financial instruments reflects a point-in-time estimate based on current and relevant market information about the instruments as at the balance sheet date. The estimates cannot be determined with precision as they involve uncertainties and matters of judgment, and therefore, may not be relevant in predicting the Company's future earnings or cash flows.

Credit Risk: There is risk that Newfoundland Power may not be able to collect all of its accounts receivable and amounts owing under its customer finance plans. These financial instruments, which arise in the normal course of business, do not represent a significant concentration of credit risk as amounts are owed by a large number of customers on normal credit terms. The requirement for security deposits for certain customers, which are advance cash collections from customers to guarantee payment of electricity billings, further reduces the exposure to credit risk. The maximum exposure to credit risk is the net carrying value of these financial instruments.

Newfoundland Power manages credit risk primarily by executing its credit and collection policy, including the requirement for security deposits, through the resources of its Customer Relations Department.

The aging of accounts receivable and amounts owing under customer finance plans, past due but not impaired, follows:

	Three Months Ended March 31	
	2011	2010
Not past due	$ 41,351	$ 37,736
Past due 1-30 days	38,159	35,578
Past due 31-60 days	7,696	7,299
Past due 61-90 days	1,347	1,449
Past due over 90 days	213	428
	$ 88,766	$ 82,490

Liquidity Risk: The Company's financial position could be adversely affected if it failed to arrange sufficient and cost-effective financing to fund, among other things, capital expenditures and repayment of maturing debt.

9. Financial Instruments (cont'd)

The ability to arrange such financing is subject to numerous factors, including the results of operations and financial position of the Company, conditions in the capital and bank credit markets, ratings assigned by ratings agencies and general economic conditions. These factors are mitigated by the legal requirement as outlined in the *Electrical Power Control Act* which requires rates be set to enable the Company to achieve and maintain a sound credit rating in the financial markets of the world.

Newfoundland Power manages short-term liquidity risk primarily by maintaining bank credit facilities. The Company has unsecured facilities of $120.0 million, composed of a syndicated $100.0 million committed revolving term credit facility and a $20.0 million demand facility.

Newfoundland Power manages long-term liquidity risk primarily by maintaining its investment grade credit ratings.

As at March 31, 2011, the fair value of the Company's primary defined benefit pension plan assets was $275.4 million compared to fair value of plan assets of $269.3 million as at December 31, 2010.

Based on the Actuarial Valuation Report as at December 31, 2008, the solvency deficit was $6.9 million ($7.7 million inclusive of interest). The solvency deficit is required to be funded over a five-year period, which commenced in 2009. The Company fulfilled $1.0 million of its 2011 annual solvency deficit funding requirement in the first quarter of 2011. The remaining $0.5 million will be funded during the second quarter of 2011. The Company does not expect any difficulty in its ability to meet future pension funding requirements as it expects the amounts will be financed from a combination of cash generated from operations and amounts available for borrowing under existing credit facilities.

The contractual maturities of the Company's financial liabilities at March 31, 2011 follow:

($millions)	Total	2011	2012-2013	2014-2014	2016 Onward
Accounts payable and accrued charges	73.8	73.8	-	-	-
Security deposits[1]	1.1	0.5	0.6	-	-
Credit facilities *(unsecured)*	28.5	0.5	28.0	-	-
Interest on first mortgage sinking fund bonds	539.0	35.8	68.9	62.8	371.5
First mortgage sinking fund bonds [2]	463.7	5.2	10.4	38.6	409.5
	1,106.1	115.8	107.9	101.4	781.0

1 *Included in accounts payable and accrued charges and other liabilities.*

2 *First mortgage sinking fund bonds are secured by a first fixed and specific charge on property, plant and equipment owned or to be acquired by the Company and by a floating charge on all other assets.*

Market Risk: Exposure to foreign exchange rate fluctuations is immaterial.

Market driven changes in interest rates and changes in the Company's credit ratings can cause fluctuations in interest costs associated with the Company's bank credit facilities. For the three month period ended March 31, 2011, each 25 basis points change in interest rates on the Company's credit facilities would have caused a $8,700 change in credit facility interest costs and a $6,000 change in earnings (2010 - $8,000 and $5,000, respectively).

The Company periodically refinances its credit facilities in the normal course with fixed-rate first mortgage sinking fund bonds thereby significantly mitigating the exposure to interest rate changes.

Changes in interest rates and/or changes in the Company's credit ratings can affect the interest rate on first mortgage sinking fund bonds at the time of issue.

The Company's defined benefit pension plan is impacted by economic conditions. There is no assurance that the pension plan assets will earn the expected long-term rate of return in the future. Market driven changes impacting the performance of the pension plan assets may result in material variations from the expected long-term return on the assets. This may cause material changes in future pension liabilities and pension expense. Effective January 1, 2010, pursuant to the 2010 GRA, the operation of the PEVDA is expected to significantly mitigate the impact on the Company's pension expense.

10. Employee Future Benefits

The total amount of defined benefit pension plan expense recognized for the three months ended March 31, 2011 was $2.5 million (2010 - $1.5 million).

The Composition of the Company's employee future benefits is as follows:

	Three Months Ended March 31	
	2011	2010
Pension and early retirement program costs	$2,862	$1,847
OPEBs Costs	2,262	193
	$5,124	$2,040

11. Commitments

There were no material changes in the nature and amount of the Company's commitments from the commitments disclosed in the Company's 2010 annual audited financial statements.

12. Comparative Figures

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.