First Quarter 2012

INTERIM MANAGEMENT DISCUSSION and ANALYSIS
For the Three Months Ended March 31, 2012

Dated May 2, 2012

The following interim Management Discussion and Analysis ("MD&A") should be read in conjunction with the following: (i) Newfoundland Power Inc.'s (the "Company" or "Newfoundland Power") interim unaudited financial statements and notes thereto for the three months ended March 31, 2012; (ii) the annual audited financial statements prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for the year ended December 31, 2011, which are voluntarily filed on System for Electronic Document Analysis and Retrieval ("SEDAR") under document type "other"; (iii) the "Supplemental Interim Financial Statements for the Year Ended December 31, 2011 (Unaudited)" contained in the above-noted voluntary filing and (iv) the MD&A for the year ended December 31, 2011 included in the Company's 2011 Annual Report. 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 U.S. GAAP, including certain accounting practices unique to rate regulated entities. These accounting practices are disclosed in Notes 2 and 6 to the Company's 2011 annual audited financial statements.

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 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 2012.

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 2012; 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 investment requirements; economic conditions; defined benefit pension plan performance; capital resources and liquidity; interest rates; electricity prices; purchased power cost; health, safety and environmental regulations; insurance; weather; 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 annual financial statements prepared in accordance with U.S. GAAP for the year ended December 31, 2011, quarterly and annual financial statements and MD&A prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for the year ended December 31, 2011, 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% of its electricity needs and purchases the remainder from Newfoundland and Labrador Hydro ("Hydro"). Newfoundland Power serves over 248,000 customers, approximately 87% 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. On November 23, 2011, the Company submitted an application to the PUB to suspend operation of the Formula and review Cost of Capital for 2012. On December 13, 2011, the PUB approved the suspension of the Formula and deferred a full cost of capital review until a later date. On March 30, 2012, the Company filed an application to the PUB to discontinue the use of the Formula and approve a just and reasonable rate of return on average rate base for 2012. A public hearing with respect to the application is currently scheduled for June 2012. As a result of the suspension of the operation of the Formula for 2012, the Company's regulated return on common equity will remain at 8.38% and current customer electricity rates will continue in effect for 2012, both on an interim basis.

Financial Highlights

	Quarter Ended March 31		
	2012	**2011**	**Change**
Electricity Sales *(gigawatt hours, ("GWh"))* [1]	1,913.6	1,833.8	79.8
Earnings Applicable to Common Shares			
$ Millions	6.9	6.1	0.8
$ Per Share	0.67	0.59	0.08
Cash Flow from Operating Activities *($millions)*	2.6	4.4	(1.8)
Total Assets *($millions)*	1,266.4	1,248.6	17.8

[1] *Reflects normalized electricity sales.*

Electricity sales for the first quarter of 2012 increased by 79.8 GWh or approximately 4.4% compared to the first quarter of 2011. This increase was composed of (i) an increase of 1.6% due to customer growth; (ii) an increase of 1.7% in average consumption reflecting higher concentration of electric heat in new home construction as well as strong economic growth; and (iii) an increase of 1.1% as a result of an additional day of electricity sales due to 2012 being a leap year.

Earnings for the first quarter of 2012 increased by $0.8 million compared to the first quarter of 2011. The increase in earnings was primarily the result of higher electricity sales and lower income tax expense as a result of the allocation of Part VI.1 tax deduction from Fortis to Newfoundland Power. These amounts were partially offset by a decrease in other revenue associated with the support structure arrangements with Bell Aliant Regional Communications Inc. ("Bell Aliant") effective January 1, 2011 and increased amortization associated with the Company's capital expenditure program.

Cash flow from operating activities for the first quarter of 2012 decreased by $1.8 million compared to the first quarter of 2011. The decrease was mainly a result of (i) higher purchased power payments, (ii) timing of income tax payments and (iii) timing of collections. This decrease was partially offset by (i) higher electricity sales and (ii) timing of pension funding.

Total assets increased by $17.8 million at March 31, 2012 compared to March 31, 2011. The increase was due to (i) continued investment in the electricity system, consistent with the Company's strategy to provide safe, reliable electricity service at the lowest reasonable cost, (ii) an increase in accounts receivable primarily due to higher electricity sales and customer rates; and (iii) an increase in regulatory assets, due to the normal operation of various regulatory mechanisms. This increase was partially offset by the repurchase of 40% of all joint use poles by Bell Aliant (Note 6).

RESULTS OF OPERATIONS

Revenue

	Quarter Ended March 31		
($millions)	2012	2011	Change
Revenue from Rates	189.6	179.6	10.0
Amortization of Regulatory Liabilities and Deferrals	1.1	0.8	0.3
Other Revenue [1]	1.6	2.6	(1.0)
Total	192.3	183.0	9.3

[1] *Other revenue is composed largely of pole attachment charges to various telecommunication companies, interest revenue associated with customer accounts and other miscellaneous charges.*

Revenue from rates for the first quarter of 2012 increased by $10.0 million compared to the first quarter of 2011. This increase primarily reflects electricity sales growth.

The amortization of regulatory liabilities and deferrals for the first quarter of 2012 and 2011 include the pension expense variance deferral ("PEVDA") and the other post employment benefits ("OPEBs") cost variance deferral. The amounts recorded are in accordance with PUB orders. These regulatory liabilities and deferrals are described in Notes 2 and 6 to the Company's 2011 annual audited financial statements prepared in accordance with U.S. GAAP.

Other revenue decreased by $1.0 million compared to the first quarter of 2011. The decrease related to the new support structure arrangements which were in place with Bell Aliant during 2011, whereby Newfoundland Power recovered financing costs on the joint-use poles and related infrastructure held for sale to Bell Aliant. The sale of the joint use poles and related infrastructure to Bell Aliant substantially closed in October 2011.

Purchased Power: Purchased Power expense for the first quarter of 2012 increased by $7.9 million compared to the first quarter of 2011. The quarterly increase resulted mainly from electricity sales growth.

Operating Expense: Operating Expense for the first quarter of 2012 was $0.2 million higher than the first quarter of 2011. Wage increases and the timing of professional fees were partially offset by lower bad debt expense.

Employee Future Benefits: Employee Future Benefits for the first quarter of 2012 were $0.4 million higher compared to the first quarter of 2011. Approximately $0.3 million of the increase was due to an increase in the Company's accrued benefit pension obligation with its defined benefit pension plan. The increase is primarily due to a lower discount rate at December 31, 2011, which is used to determine the pension obligation, as well as a lower expected service life of active members.

The remaining increase of $0.1 million relates to higher OPEBs costs, which is primarily due to a lower discount rate at December 31, 2011.

Amortization: Amortization expense for the first quarter of 2012 was $0.5 million higher compared to the first quarter of 2011. The increase was primarily reflective of the Company's capital expenditure program.

Cost Recovery Deferral: The PUB approved the deferred recovery of $2.4 million of costs in both 2011 and 2012 due to increased costs associated with the expiry of various regulatory amortizations in 2010. The deferral was recorded as an increase in regulatory assets and a decrease in expense.

Finance Charges: Finance charges for the first quarter of 2012 were comparable to the first quarter of 2011. Additional borrowings under the Company's credit facility were offset by lower short-term interest rates. The lower short term interest rates are reflective of current market conditions.

Income Taxes: Income taxes for the first quarter of 2012 were $0.5 million lower than the first quarter of 2011. The decrease in income tax expense reflects a lower effective income tax rate primarily resulting from the allocation of the Part VI.1 tax deduction from Fortis to Newfoundland Power and 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, 2011 and March 31, 2012 follow:

($millions)	Increase (Decrease)	Explanation
Accounts Receivable	18.4	Increase due to higher electricity sales, reflecting the seasonal nature of electricity consumption for heating; 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	4.1	Increase due to investment in electricity system, in accordance with 2012 capital expenditure program and the $0.8 million joint-use pole sale purchase price adjustment paid to Bell Aliant (Note 6), offset partially by amortization and customer contributions in aid of construction.
Regulatory Assets	2.8	Increase due to normal operation of various regulatory mechanisms. See Note 2 of the Company's interim unaudited financial statements.
Short-term Borrowings	3.7	Increase required to finance ongoing operating activities.
Interest Payable	3.7	Increase due to timing differences in scheduled interest payments.
Income Tax Payable	(3.6)	Decrease due to timing of income tax payments.
Regulatory Liabilities	2.6	Increase primarily due to normal operation of the PEVDA, OPEB cost variance deferral account and weather normalization account. See Note 2 of the Company's interim unaudited financial statements.
Long-term Debt, including Current Portion	14.5	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 2012 and 2011 follows:

	Quarter Ended March 31		
($millions)	2012	2011	Change
Cash, Beginning of Period	0.3	4.2	(3.9)
Operating Activities	2.6	4.4	(1.8)
Investing Activities	(14.9)	(14.3)	(0.6)
Financing Activities			
Net Credit Facilities Borrowings	18.2	13.5	4.7
Dividends	(5.5)	(5.2)	(0.3)
	12.7	8.3	4.4
Cash, End of Period	0.7	2.6	(1.9)

Operating Activities

First quarter cash flow from operating activities, for 2012 compared to 2011, decreased by $1.8 million. The decrease was mainly a result of (i) higher purchased power payments, (ii) timing of income tax payments and (iii) timing of collections due primarily to increased customers availing of the Company's equal payment plan coupled with increased average energy consumption. This decrease was partially offset by (i) higher electricity sales and (ii) timing of pension funding.

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 2012 compared to 2011, increased by $0.6 million. The increase was due primarily to the $0.8 million joint-use pole sale purchase price adjustment paid to Bell Aliant in the first quarter of 2012. The increase also related to capital work associated with the Company's 2012 annual capital plan. This increase was partially offset by increased contribution from customers.

A summary of first quarter 2012 and 2011 capital and intangible asset expenditures follows.

	Quarter Ended March 31		
($millions)	2012	2011	Change
Electricity System			
Generation	0.7	0.4	0.3
Transmission	0.3	0.4	(0.1)
Substations	1.5	2.2	(0.7)
Distribution	8.6	7.6	1.0
Intangible Assets and Other	4.2	3.9	0.3
Capital and Intangible Asset Expenditures	15.3	14.5	0.8

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 2012 Capital Plan which provides for capital expenditures of $77.3 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 $80.3 million for 2012.

Financing Activities

First quarter cash flow from financing activities, for 2012 compared to 2011, increased by $4.4 million. The increase in cash required from financing activities was primarily the result of increased capital expenditures, the $0.8 million joint-use pole sale purchase price adjustment that was paid to Bell Aliant, lower cash from operations available and higher common share dividend payments. The Company's common share dividend policy is to maintain a capital structure composed of 55% debt and preference equity and 45% 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 fund pension obligations, 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.

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 as detailed below:

($millions)	March 31, 2012	December 31, 2011
Total Credit Facilities	120.0	120.0
Borrowing, Committed Facility	(34.5)	(20.0)
Borrowing, Demand Facility	(3.7)	-
Credit Facilities Available	81.8	100.0

During the quarter, the $100.0 million Committed Facility was renegotiated on similar terms as the previous facility, with a decrease in pricing, and an extension to a five year term maturing in August 2017. Subject to lenders' approval, the Company may request an extension for a further period of up to, but not exceeding, a five year term.

Pensions: As at March 31, 2012, the fair value of the Company's primary defined benefit pension plan assets was $283.8 million compared to fair value of plan assets of $276.3 million as at December 31, 2011.

In April 2012, Newfoundland Power received the Actuarial Valuation Report for its defined benefit pension plan, including the funding status of the plan as at December 31, 2011, on a going concern and solvency basis. The actuarial value of the assets, determined as at December 31, 2011, for the going concern and solvency valuation was $271.4 million and $275.1 million, respectively.

On a going concern basis, there was a decrease in the going concern surplus from $10.4 million as at December 31, 2008 to $7.2 million as at December 31, 2011.

On a solvency basis, due to interest rates as at December 31, 2011 being substantially lower than December 31, 2008, the solvency deficit increased from $6.9 million as at December 31, 2008 to $49.5 million as at December 31, 2011.

The solvency deficit of $49.5 million ($53.4 million inclusive of interest) is expected to be funded over a five-year period, which will commence in 2012. The Company expects to fulfill its 2012 annual solvency deficit funding requirement of $10.7 million during the second quarter of 2012.

Based on the December 2011 Actuarial Valuation Report, the defined benefit pension funding contributions, including current service and solvency deficit funding amounts, are expected to be $13.5 million in 2012, $13.6 million in 2013 and $13.7 million in 2014. The Company expects to be able 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.

Contractual Obligations: Details, as at March 31, 2012, 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)	38.2	3.7	-		34.5
First Mortgage Sinking Fund Bonds [1]	458.5	5.2	39.0	39.6	374.7
Total	496.7	8.9	39.0	39.6	409.2

[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.

	March 31, 2012		December 31, 2011	
Rating Agency	Rating	Outlook	Rating	Outlook
Moody's Investors Service	A2	Stable	A2	Stable
DBRS	A	Stable	A	Stable

During the first quarter of 2012, 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 2011.

Newfoundland Power manages common share dividends to maintain a capital structure composed of 55% debt and preference equity and 45% 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, 2012		December 31, 2011	
	$millions	%	$millions	%
Total Debt [1]	496.0	56.7	478.2	55.9
Common Equity	370.3	42.3	368.8	43.1
Preference Equity	9.1	1.0	9.1	1.0
Total	875.4	100.0	856.1	100.0

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

The Company expects it will be able to maintain its current investment grade credit ratings in 2012.

Capital Stock and Dividends: During the first quarters of 2012 and 2011, the weighted average number of common shares outstanding was 10,320,270. Dividends on common shares, for the first quarter 2012, compared to 2011, were $0.3 million higher. In the first quarter of 2012, common share dividends increased to $0.52 per share compared to $0.49 per share in the first quarter of 2011. The increase in common shares dividends was to maintain an average capital structure that includes approximately 45% 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 2012 and 2011 follow:

($millions)	2012	2011
Revenue [1]	$ 1.5	$ 1.3
Operating Expenses	0.4	0.8

[1] *Includes charges for electricity consumed.*

Related party transactions included in accounts receivable at March 31, 2012 and December 31, 2011 were $0.03 million and $0.1 million, respectively.

FINANCIAL INSTRUMENTS

The carrying values of financial instruments included in current assets, current liabilities, other assets, and other 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 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, including current portion and committed credit facility, follow:

	March 31, 2012		December 31, 2011	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt, including current portion and committed credit facility	$ 493.0	$ 629.2	$ 478.5	$ 620.4

BUSINESS RISK MANAGEMENT

There were no material changes to the Company's business risks during the first quarter of 2012, with the exception of the following.

In January 2012, the Company and the International Brotherhood of Electrical Workers ("IBEW") reached a tentative agreement with both its clerical and craft bargaining units. The clerical agreement was ratified on March 23, 2012. The craft tentative agreement was not accepted. The Company and the IBEW completed conciliation on March 22, 2012 and the craft tentative agreement is expected to be voted on in May 2012. The inability to maintain or renew the collective bargaining agreements on acceptable terms could result in increased labour costs, or service interruptions arising from labour disputes that are not provided for in approved rates and that could have a material adverse effect on the results of operations, cash flows and financial position of the Company.

CHANGES IN ACCOUNTING POLICIES

Adoption of New Accounting Standards: Effective January 1, 2012, Newfoundland Power retroactively adopted U.S. GAAP with the restatement of comparative reporting periods. The areas of most significant financial statement impacts upon adopting U.S. GAAP include, but are not limited to the: (i) recognition of the funded status of defined benefit plans on the balance sheet and (ii) the calculation and recognition of income taxes based on enacted versus substantially enacted income tax rates.

The above-noted items do not represent a complete list of differences between U.S. GAAP and Canadian GAAP. Other less significant differences have also been identified and accounted for. A detailed description of the differences and a detailed reconciliation between the Company's annual audited Canadian GAAP and annual audited U.S. GAAP financial statements for 2011 is disclosed in Note 22 to the Company's voluntarily filed annual audited U.S. GAAP financial statements with accompanying notes thereto for the year ended December 31, 2011, with 2010 comparatives. A detailed reconciliation between the Company's interim unaudited 2011 Canadian GAAP and interim unaudited 2011 U.S. GAAP financial statements is provided in the above-noted voluntarily filed document under the section "Supplemental Interim Financial Statements for the Year Ended December 31, 2011 (Unaudited)".

U.S. GAAP Accounting Pronouncements: The Company retroactively adopted the amendments to Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* effective January 1, 2012. The amended standard improves comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP. The amendment does not change what items are measured at fair value but instead makes various changes to the guidance pertaining to how fair value is measured. Adoption of the standard did not impact the Company's financial statements for the three months ended March 31, 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, 2010 through March 31, 2012. 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 U.S. GAAP. 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)	2012	2011	2011	2010	2011	2010	2011	2010
Electricity Sales *(GWh)*	1,913.6	1,833.8	1,268.7	1,220.2	923.7	915.4	1,526.6	1,488.2
Revenue *($millions)*	192.3	183.0	132.6	126.3	101.4	99.1	156.1	151.7
Net Earnings Applicable to Common Shares *($millions)*	6.9	6.1	9.8	9.9	8.1	6.6	7.9	54.9 [2]
Earnings per Common Share *($)* [1]	0.67	0.59	0.95	0.96	0.78	0.64	0.77	5.32 [2]

[1] *Basic and fully diluted.*

[2] *In December 2010, the PUB approved Newfoundland Power's application to adopt the accrual method of accounting for OPEBs costs effective January 1, 2011. Based on the PUB's approval of the Company's application to adopt the accrual method of accounting for OPEBs, the regulatory asset of $46.7 million was recognized through earnings in accordance with U.S. GAAP in the fourth quarter of 2010. See note 22(a) to the Company's U.S. GAAP annual audited financial statements.*

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 is expected to 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 2012.

Customer Rates

The Formula and Cost of Capital Review: On November 23, 2011, the Company submitted an application to the PUB to suspend operation of the Formula and review Cost of Capital for 2012. On December 13, 2011, the PUB approved the suspension of the Formula and deferred a full cost of capital review until a later date. On March 30, 2012, the Company filed an application to the PUB to discontinue the use of the Formula and approve a just and reasonable rate of return on average rate base for 2012. A public hearing with respect to the application is currently scheduled for June 2012. As a result of the suspension of the operation of the Formula for 2012, the Company's regulated return on common equity will remain at 8.38% and customer electricity rates will continue in effect for 2012, both on an interim basis.

The Company is currently assessing the requirement for it to file a rate case application with the PUB to recover increased costs in 2013.

Rate Stabilization Account: Customer electricity rates are projected to increase effective July 1, 2012 as a result of the annual operation of Hydro's Rate Stabilization Plan ("Hydro RSP") and the Company's Rate Stabilization Account ("RSA"). Variances in Hydro's cost of fuel used to generate electricity are captured in the Hydro RSP and flowed-through to the Company's customers through the operation of the Company's RSA.

The main driver for the July 1st rate change is an increase in the forecast cost of oil to be used at the Holyrood generating facility. The operation of the RSA also captures variances in Newfoundland Power's cost such as energy supply cost variances and employee future benefit cost variances. The Company expects to file an RSA rate application with the PUB by the end of May 2012 to adjust customer electricity rates by an average increase of approximately 7%.

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 more than $14 billion and fiscal 2011 revenue totalling approximately $3.7 billion. The Corporation serves approximately 2 million gas and electricity customers. Its regulated holdings include electric distribution utilities in five Canadian provinces and two 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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Unaudited Statements of Earnings

For the Three Months Ended March 31

(in thousands of Canadian dollars, except per share amounts)

	2012	2011
Revenue	$ 192,254	$ 183,015
Purchased Power	141,952	134,027
Gross Margin	50,302	48,988
Operating expenses	14,948	14,782
Employee future benefits	5,510	5,124
Depreciation and amortization	10,689	10,227
Cost recovery deferral *(Note 2)*	(591)	(591)
Finance charges *(Note 4)*	9,095	9,073
	39,651	38,615
Earnings Before Income Taxes	10,651	10,373
Income taxes *(Note 5)*	3,605	4,115
Net Earnings	7,046	6,258
Preference share dividends	141	142
Net Earnings Applicable to Common Shares	$ 6,905	$ 6,116
Basic and Diluted Earnings per Common Share	$ 0.67	$ 0.59

See accompanying notes to financial statements.

Unaudited Statements of Changes in Equity

For the Three Months Ended March 31

(in thousands of Canadian dollars, except per share amounts)

	Common Shares	Preference Shares	Retained Earnings	Total Equity
As at January 1, 2012	$ 70,321	$ 9,081	$ 298,432	**$ 377,834**
Net earnings	-	-	7,046	**7,046**
Dividends on common shares ($0.52 per share)	-	-	(5,367)	**(5,367)**
Dividends on preference shares	-	-	(141)	**(141)**
As at March 31, 2012	$ 70,321	$ 9,081	$ 299,970	**$ 379,372**
As at January 1, 2011	$ 70,321	$ 9,111	$ 316,689	**$ 396,121**
Net earnings	-	-	6,258	**6,258**
Dividends on common shares ($0.49 per share)	-	-	(5,057)	**(5,057)**
Dividends on preference shares	-	-	(142)	**(142)**
As at March 31, 2011	$ 70,321	$ 9,111	$ 317,748	**$ 397,180**

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

	March 31, 2012	December 31, 2011
Assets *(Note 7)*		
Current assets		
Cash	$ 738	$ 330
Accounts receivable	95,470	77,091
Materials and supplies	1,107	1,140
Prepaid expenses	762	1,084
Regulatory assets *(Note 2)*	27,228	25,844
	125,305	105,489
Property, plant and equipment	816,822	812,766
Intangible assets	14,394	14,582
Regulatory assets *(Note 2)*	305,352	303,915
Other assets	4,561	4,555
	$ 1,266,434	$ 1,241,307
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings	$ 3,712	$ -
Accounts payable and accrued charges	73,856	72,514
Interest payable	11,206	7,470
Income taxes payable	2,943	6,507
Defined benefit pension plans	12,084	12,001
Other post-employment benefits	2,625	2,512
Regulatory liabilities *(Note 2)*	3,293	-
Current instalments of long-term debt *(Note 7)*	5,200	5,200
Deferred income taxes	622	1,046
	115,541	107,250
Regulatory liabilities *(Note 2)*	59,938	60,663
Defined benefit pension plans	7,057	7,947
Other post-employment benefits	75,491	74,859
Other liabilities	14,066	13,509
Deferred income taxes	127,181	125,957
Long-term debt *(Note 7)*	487,788	473,288
	887,062	863,473
Shareholders' equity		
Common shares, no par value, unlimited authorized shares, 10.3 million shares issued and outstanding	70,321	70,321
Preference shares	9,081	9,081
Retained earnings	299,970	298,432
	379,372	377,834
	$ 1,266,434	$ 1,241,307

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)

	2012	2011
Cash From (Used in) Operating Activities		
Net earnings	$ 7,046	$ 6,258
Items not affecting cash		
Depreciation of property, plant and equipment	10,056	9,621
Amortization of intangible assets and other	714	679
Change in long-term regulatory assets and liabilities	(2,162)	5,542
Change in long-term income tax liability	494	864
Deferred income taxes	1,224	(1,409)
Employee future benefits	(62)	(1,619)
Equity portion of allowance for funds used during construction	(31)	(49)
Change in non-cash working capital	(14,698)	(15,457)
	2,581	4,430
Cash From (Used In) Investing Activities		
Purchase price adjustment on sale to Bell Aliant *(Note 6)*	(829)	-
Capital expenditures	(14,822)	(14,064)
Intangible asset expenditures	(445)	(417)
Contributions from customers	1,243	185
Other	(24)	(44)
	(14,877)	(14,340)
Cash From (Used In) Financing Activities		
Change in short-term borrowings	3,712	525
Net proceeds of committed credit facility	14,500	13,000
Dividends		
Preference shares	(141)	(142)
Common shares	(5,367)	(5,057)
	12,704	8,326
Increase (Decrease) in Cash	408	(1,584)
Cash, Beginning of the Period	330	4,182
Cash, End of the Period	$ 738	$ 2,598
Cash flows include the following elements:		
Interest paid	$ 5,228	$ 5,220
Income taxes paid	$ 6,518	$ 3,443

See accompanying notes to financial statements.

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 accounting principles generally accepted in the United States ("U.S. 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 2011 annual audited financial statements prepared in accordance with U.S. GAAP.

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 2011 U.S. GAAP annual audited financial statements, except for the following:

Effective January 1, 2012, the Company adopted the amendments to Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures. The amended standard improves comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP. Adoption of the standard did not impact the Company's financial statements for the three months ended March 31, 2012.

An evaluation of subsequent events through April 27th, 2012, the date these interim financial statements were approved by the Board of Directors of the Company and available to be issued, was completed and it was determined there were no circumstances that warranted recognition and disclosure of events or transactions in the interim financial statements as at March 31, 2012.

2. Regulatory Assets and Liabilities

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 underlying accounting practices, which result in the recognition of regulatory assets and regulatory liabilities, are disclosed in Notes 2 and 6 to the Company's 2011 annual audited financial statements prepared in accordance with U.S. GAAP.

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

	March 31, 2012		December 31, 2011	
	Current	Non-Current	Current	Non-Current
Regulatory Assets				
Rate stabilization account ("RSA")	$ 10,990	$ 2,317	$ 8,571	$ 3,863
Other Post Employment Benefits ("OPEBs")	3,504	44,676	3,504	45,552
Weather normalization account	1,543	-	2,102	-
Pension deferral	1,128	2,255	1,128	2,537
Cost recovery deferral	-	2,955	-	2,363
Deferred GRA costs	190	-	253	-
Conservation and demand management deferral	339	254	339	339
Optional seasonal rate revenue and cost recovery account	-	311	-	328
Employee future benefits	9,534	119,364	9,749	121,501
Energy supply cost variance reserve	-	4,426	-	-
Deferred income taxes	-	128,794	198	127,432
	$ 27,228	$ 305,352	$ 25,844	$ 303,915

2. Regulatory Assets and Liabilities (cont'd)

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

	March 31, 2012		December 31, 2011	
	Current	Non-Current	Current	Non-Current
Regulatory Liabilities				
Pension expense variance deferral account ("PEVDA")	$ 2,897	$ -	$ -	$ -
OPEBs cost variance deferral account	366	-	-	-
Weather normalization account	-	9,491	-	9,108
Future removal and site restoration provision	-	50,397	-	49,754
Demand management incentive account	-	50	-	1,801
Deferred income taxes	30	-	-	-
	$ 3,293	$ 59,938	$ -	$ 60,663

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	
	2012	2011
Interest - first mortgage sinking fund bonds	$ 8,785	$ 8,886
Interest - committed credit facility	207	166
Interest - other	54	3
Total interest expense	9,046	9,055
Amortization - debt issue costs	48	47
Amortization – committed credit facility costs	33	25
Interest portion of allowance for funds used during construction	(32)	(54)
	$ 9,095	$ 9,073

5. Income Taxes

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

	Three Months Ended March 31	
	2012	2011
Current income tax expense	$ 3,941	$ 5,524
Deferred income tax expense	800	286
Regulatory adjustment	(1,136)	(1,695)
	$ 3,605	$ 4,115

5. Income Taxes (cont'd)

Income taxes differ from the amount that would be determined by applying the enacted combined Canadian federal and provincial statutory income tax rate to earnings before income taxes. A reconciliation of the combined statutory income tax rate to the Company's effective income tax rate follows:

	Three Months Ended March 31	
	2012	2011
Earnings before income taxes per financial statements	$ 10,651	$ 10,373
Statutory tax rate	29.0%	30.5%
Income taxes, at statutory rate	3,089	3,164
Items capitalized for accounting purposes but expensed for income tax purposes	(324)	(265)
Difference between capital cost allowance and depreciation and amortization expense	268	243
Allocation of Part VI.1 tax	494	939
Other timing difference	78	34
Income tax expense	$ 3,605	$ 4,115
Effective income tax rate	33.8%	39.7%

As at March 31, 2012, the Company had no non-capital or capital losses (2011 - Nil) carried forward.

6. Assets Held for Sale

Effective January 1, 2011, the Company signed new support structure arrangements with Bell Aliant where Bell Aliant would repurchase 40% of all joint-use poles and related infrastructure at a price of approximately $45.7 million. This represented approximately 5% of Newfoundland Power's rate base. In 2001, Newfoundland Power purchased the joint-use poles and related infrastructure under a 10-year Joint Use Facilities Partnership Agreement which expired December 31, 2010. Bell Aliant had 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 repurchase these poles from Newfoundland Power.

On October 5, 2011, proceeds in the amount of $45.7 million were received from Bell Aliant. On January 16, 2012, the transaction with Bell Aliant closed and a purchase price adjustment of $0.8 million was paid to Bell Aliant from the Company. The purchase price adjustment was based on the results of the pole survey completed in the fourth quarter of 2011. The adjustment was reflected as an increase in property, plant and equipment in 2012.

7. Long-term Debt

	March 31, 2012	December 31, 2011
First mortgage sinking fund bonds	$ 458,488	$ 458,488
Committed credit facility *(Note 9)*	34,500	20,000
	492,988	478,488
Less: current instalments of long-term debt	5,200	5,200
	$ 487,788	$ 473,288

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. They require an annual sinking fund payment of 1% of the original principal balance.

8. Fair Value Measurement

Fair value is the price at which a market participant could sell an asset or transfer a liability to an unrelated party. A fair value measurement is required to reflect the assumptions that market participants would use in pricing an asset or a liability based on the best available information. These assumptions include the risks inherent in a particular valuation technique, such as a pricing model, and the risks inherent in the inputs to the model.

8. Fair Value Measurement (cont'd)

The fair value of long-term debt, including current portion and committed credit facility, is classified as Level 2 based on the three level hierarchy that distinguishes the level of pricing observability utilized in measuring fair value. Level 2 includes pricing that is either directly or indirectly observable for the asset or liability. The fair value 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 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 long-term debt, including current portion and committed credit facility, at March 31, 2012 and December 31, 2011 is as follows:

	March 31, 2012		December 31, 2011	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt, including current portion and committed credit facility	$ 492,988	$ 629,225	$ 478,488	$ 620,389

As at March 31, 2012, the fair value of the Company's primary defined benefit pension plan assets was $283.8 million compared to fair value of plan assets of $276.3 million as at December 31, 2011. The fair value measurements for all of the pension plan assets, as held in various pooled funds, are classified as Level 2 inputs based on the three level hierarchy that distinguishes the level of pricing observability utilized in measuring fair value. Level 2 includes pricing that is either directly or indirectly observable for the asset or liability.

The fair value of the Company's remaining financial instruments included in current assets, current liabilities, other assets and other liabilities approximate 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.

9. Financial Risk Management

The Company is primarily exposed to credit risk, liquidity risk and market risk as a result of holding financial instruments in the normal course of business.

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.

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, pension funding obligation, and repayment of maturing debt.

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.

9. Financial Risk Management (cont'd)

The Company has historically generated sufficient annual cash flows from operating activities to service annual interest and sinking fund payments on debt, to fund pension obligations, 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.

Newfoundland Power has unsecured bank credit facilities of $120.0 million comprised of a syndicated $100.0 million committed revolving term credit facility ("Committed Facility") and a $20.0 million demand facility. On March 27, 2012, the $100.0 million Committed Facility was renegotiated on similar terms as the previous facility, with a decrease in pricing, and an extension to a five year term maturing in August 2017.

Borrowings under the Committed Facility have been classified as long-term as the Committed Facility expires in 2017. Management intends to refinance these amounts in the future with the issuance of other long-term debt. These borrowings are in the form of bankers acceptances bearing interest based on the daily Canadian Deposit Offering Rate for the date of borrowing plus a stamping fee. Standby fees on the unutilized portion of the Committed Facility are payable quarterly in arrears at a fixed rate of 0.17%. Borrowings under the demand facility are classified as current and interest is calculated at the daily prime rate and is payable monthly in arrears.

The utilized and unutilized credit facilities as at March 31, 2012 and December 31, 2011 follow:

	March 31, 2012	December 31, 2011
Total credit facilities	$ 120,000	$ 120,000
Borrowings under Committed Facility *(Note 7)*	(34,500)	(20,000)
Borrowings under demand facility	(3,712)	-
Credit facilities available	$ 81,788	$ 100,000

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:

	March 31, 2012		December 31, 2011	
Rating Agency	Rating	Outlook	Rating	Outlook
Moody's Investors Service	A2	Stable	A2	Stable
DBRS	A	Stable	A	Stable

During the first quarter of 2012, 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 remain unchanged from 2011.

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. The Company periodically refinances its credit facilities in the normal course with fixed-rate first mortgage sinking fund bonds thereby significantly mitigating 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. The operation of the PUB approved PEVDA is expected to significantly mitigate the impact on the Company's pension expense, whereby the difference between actual pension expense and pension expense approved by the PUB for rate setting purposes is recovered from (returned to) customers through the Company's RSA.

9. Financial Risk Management (cont'd)

Concentration of Supply: The Company is dependent on Hydro for approximately 93% of its energy requirements. The principal terms of the supply arrangements with Hydro are regulated by the PUB on a basis similar to that upon which the Company's service to its customers is regulated.

10. Employee Future Benefits

The Company's employee future benefits cost includes both the net benefit costs of its defined benefit and defined contribution plans.

The components of net benefit costs associated with the Company's defined benefit plans, prior to capitalization, are as follows:

	Three Months Ended March 31			
	2012		2011	
	Defined Benefit Pension Plans	OPEBs	Defined Benefit Pension Plans	OPEBs
Service costs	$ 1,185	$ 236	$ 980	$ 222
Interest costs	3,844	1,012	3,802	999
Expected return on plan assets	(4,387)	-	(4,319)	-
Regulatory adjustments *(Note 6)*				
Amortization of net actuarial loss	1,791	288	1,642	235
Amortization of transitional obligation	333	357	333	357
Amortization of pension deferral	282	-	282	-
Amortization of past service costs	7	(340)	7	(340)
Deferral of pension costs	(145)	-	(109)	-
Amortization of OPEBs regulatory asset	-	876	-	876
Net benefit cost	$ 2,910	$ 2,429	$ 2,618	$ 2,349

During the three months ended March 31, 2012, the Company expensed $0.3 million (2011 - $0.3 million) related to its defined contribution pension plans.

In April 2012, Newfoundland Power received the Actuarial Valuation results for its defined benefit pension plan, including the funding status of the plan as at December 31, 2011, on a going concern and solvency basis. The actuarial value of the assets, determined as at December 31, 2011, for the going concern and solvency valuation was $271.4 million and $275.1 million, respectively.

On a going concern basis, there was a decrease in the going concern surplus from $10.4 million as at December 31, 2008 to $7.2 million as at December 31, 2011.

On a solvency basis, due to interest rates as at December 31, 2011 being substantially lower than December 31, 2008, the solvency deficit increased from $6.9 million as at December 31, 2008 to $49.5 million as at December 31, 2011.

The solvency deficit of $49.5 million ($53.4 million inclusive of interest) is expected to be funded over a five-year period, which will commence in 2012. The Company expects to fulfill its 2012 annual solvency deficit funding requirement of $10.7 million during the second quarter of 2012.

Based on the December 2011 Actuarial Valuation Report, the defined benefit pension funding contributions, including current service and solvency deficit funding amounts, are expected to be $13.5 million in 2012, $13.6 million in 2013 and $13.7 million in 2014. The Company expects to be able 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.

11. Commitments

Except for the increase in the pension funding obligations, there were no material changes in the nature and amount of the Company's commitments as disclosed in the Company's 2011 annual audited financial statements prepared in accordance with U.S. GAAP.

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.