Q. Reference Volume 2, Tab 3

(a) Please provide copies of all other valuations of the NP Retirement Income Plan done since December 31, 2005 whether for funding purposes or otherwise.

(b) Please provide copies of all annual financial statements for the NP Retirement Income Plan from and including December 31, 2005 to date.

A. (a) Attachment A provides the valuation of Newfoundland Power's Retirement Income Plan as at December 31, 2005, which was completed in 2006.

No other valuations of the Newfoundland Power Retirement Income Plan have been completed since December 31, 2005.

(b) Copies of the annual financial statements for Newfoundland Power's Retirement Income Plan for 2005 to 2008 are included as attachments B, C, D and E, respectively.

Newfoundland Power Inc.
Retirement Income Plan Valuation
December 31, 2005

September 2006

Newfoundland Power Inc.
Retirement Income Plan

Report on the Actuarial Valuation for Funding Purposes as at December 31, 2005

MERCER
Human Resource Consulting

MMC Marsh & McLennan Companies

Contents

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Summary of Results

Going-Concern Financial Position	**31.12.05**	**31.12.03**
Actuarial value of assets	$210,945,000	$176,473,000
Actuarial liability	($225,405,000)	($200,592,000)
Funding excess (unfunded liability)	($14,460,000)	($24,119,000)
Solvency and Wind-Up Financial Position	***31.12.05***	***31.12.03***
Market value of assets net of termination expenses	$223,170,000	$178,760,000
Solvency liability	($216,161,000)	($161,569,000)
Solvency excess (deficiency)	$7,009,000	$17,191,000
Solvency ratio	100%	100%
Funding Requirements (*annualised*)	***2006***	***2004***
Total current service cost	$4,636,000	$4,642,000
Estimated members' required contributions	($1,265,000)	($1,275,000)
Estimated employer's current service cost	$3,371,000	$3,367,000
Employer's current service cost as a percentage of members' pensionable earnings	10.44%	9.96%
Minimum special payments	$2,800,000	$2,800,000
Estimated minimum employer contribution for year	$6,171,000	$6,167,000
Estimated maximum employer contribution for year	$17,831,000	$27,486,000

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Introduction

Report on the Actuarial Valuation as at December 31, 2005

To Newfoundland Power Inc.

At your request, we have conducted an actuarial valuation of the Newfoundland Power Inc. Retirement Income Plan as at December 31, 2005. We are pleased to present the results of the valuation.

The purpose of this valuation is to determine:

- the funded status of the plan as at December 31, 2005 on going-concern and solvency bases, and
- the minimum funding requirements from 2006.

The funded ratio, on a going concern basis, is 94% at December 31, 2005, as compared to 88% at December 31, 2003.

The next actuarial valuation of the plan will be required as at a date not later than December 31, 2008 or as at the date of an earlier amendment to the plan, in accordance with the minimum requirements of the *Pension Benefits Act (Newfoundland and Labrador)*.

There is an unfunded liability of $14,460,000, and a solvency ratio of 100% as at December 31, 2005. As such, in accordance with the minimum requirements of the *Pension Benefits Act (Newfoundland and Labrador)*, Newfoundland Power Inc. should make minimum annual contributions to the plan for 2006, as follows:

Annual Employer Contributions
For current service: 10.44% of members' pensionable earnings
Minimum special payments for unfunded liability: $2,800,000

On the basis of the members' estimated pensionable earnings, we have estimated the minimum total employer contribution for 2006 to be $6,171,000, or $514,250 per month. We have estimated the total members' contribution for 2006 to be $1,265,000.

This valuation reflects the provisions of the plan as at December 31, 2005.

Since the date of the previous valuation, the plan has been amended as follows:

- Effective May 1, 2004, the plan was amended to close the plan to new entrants and to improve death benefits available to surviving spouses. This amendment was reflected in the previous valuation as at December 31, 2003.
- Effective January 1, 2005, the plan was amended to provide special early retirement benefits to certain eligible employees.

A summary of the plan provisions is provided in Appendix D.

We have used the same going-concern valuation assumptions and methods as were used for the valuation as at December 31, 2003, except for the following assumptions which were adjusted to reflect changes in market conditions and legislation since the previous valuation:

	12.31.2005	12.31.2003
Increases in the YMPE	3.5% per year	4.0% per year
Increases in the Maximum Pension Permitted under the Income Tax Act	3.5% per year starting in 2010	4.0% per year starting in 2006

These changes have resulted in an increase of $2,194,000 in the actuarial liability and of $107,000 in the employer current service cost.

The assumptions used for the solvency and wind-up valuations have been updated to reflect market conditions at December 31, 2005.

A new Canadian Institute of Actuaries Standard of Practice For Determining Pension Commuted Values ("CIA Standard") became effective on February 1, 2005. The new CIA Standard has changed the assumptions to be used to value the solvency and wind-up liabilities for benefits assumed to be settled through a lump sum transfer. The financial impact of the new CIA Standard has been reflected in this actuarial valuation.

The assumptions used for purposes of this valuation are described in detail in Appendix B. All assumptions made for the purposes of the valuation were reasonable at the time the valuation was prepared.

Our valuation does not account for the impact of recent ad hoc pension increases provided to current pensioners who meet certain eligibility criteria. The impact of that program on the funding status, on going-concern and solvency bases, and on the minimum funding requirements, will be the subject of a separate report. After checking with representatives of Newfoundland Power, to the best of our knowledge, there have been no other events subsequent to the valuation date which, in our opinion, would have a material impact on the results of the valuation.

This report will be filed with the pension authorities in Newfoundland and Labrador and with the Canada Revenue Agency.

Respectfully submitted,

M. Scott Cushing Fellow of the Society of Actuaries Fellow of the Canadian Institute of Actuaries	Anil Narale Fellow of the Society of Actuaries Fellow of the Canadian Institute of Actuaries
Sept 27, 2006 Date	Sept 27, 2006 Date

Newfoundland Power Inc. Retirement Income Plan
Registration number in Newfoundland and Labrador: 75241
Registration number with the Canada Revenue Agency: 0486365

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Financial Position of the Plan

Valuation Results — Going-Concern Basis

When conducting a valuation on a going-concern basis, we determine the relationship between the respective values of assets and accumulated benefits, assuming the plan will be maintained indefinitely.

Financial Position

The results of the valuation as at December 31, 2005, in comparison with those of the previous valuation as at December 31, 2003, are summarised as follows:

Financial Position — Going-Concern Basis

	31.12.05	**31.12.03**
Actuarial value of assets (adjusted market value)	$210,945,000	$176,473,000
Actuarial liability		
Present value of accrued benefits for:		
active and disabled members	$103,773,000	$101,001,000
pensioners and survivors	$121,345,000	$99,158,000
deferred pensioners	$287,000	$433,000
Total liability	$225,405,000	$200,592,000
Funding excess (unfunded liability)	($14,460,000)	($24,119,000)

Reconciliation of Financial Position

The plan's financial position, an unfunded liability of $14,460,000 as at December 31, 2005, is reconciled with its previous position, an unfunded liability of $24,119,000 as at December 31, 2003, as follows:

Reconciliation of Financial Position

Funding excess (unfunded liability) as at 31.12.03	($24,119,000)
Interest on funding excess (unfunded liability) at 6.00% per year to 31.12.05	($2,981,000)
Net experience gains (losses) over 2004-2005 *	$9,741,000
Employer's special payments to eliminate the unfunded liability	$14,417,000
Impact of changes in assumptions and methods	($2,194,000)
Impact of early retirement window (Amendment #12)	($9,065,000)
Net impact of other elements of gains and losses	($259,000)
Funding excess (unfunded liability) as at 31.12.05	($14,460,000)

* *Net experience gains (losses) are detailed below.*

Plan Experience

Actual experience has differed from that expected since the previous valuation as at December 31, 2003. The gains (losses) with respect to the main valuation assumptions are shown below:

Plan Experience

	Impact Gain (Loss)
Net Investment return	$12,932,000
Increases in pensionable earnings and YMPE	($3,409,000)
Retirements	($25,000)
Terminations of employment	$171,000
Mortality:	
pre-retirement	$100,000
post-retirement	($28,000)
Net experience gains (losses)	$9,741,000

Valuation Results — Solvency Basis

When conducting a solvency valuation, we determine the relationship between the respective values of the plan's assets and its liabilities on a solvency basis, determined in accordance with the *Pension Benefits Act (Newfoundland and Labrador)*. The values of the plan's assets and liabilities on a solvency basis are related to the corresponding values calculated as though the plan were wound up and settled on the valuation date. The circumstances in which the plan wind-up is assumed to have been taken place are as follows: total plan wind-up in conjunction with cessation of the plan sponsor's operations.

As at December 31, 2005, the solvency ratio of the plan, being the ratio of solvency assets to solvency liabilities, is 100%. The plan's solvency position as at December 31, 2005, in comparison with that of the previous valuation as at December 31, 2003, is determined as follows:

Solvency Position

	31.12.05	31.12.03
Market value of assets	$223,370,000	$178,960,000
Termination expenses	($200,000)	($200,000)
Net market value of assets	$223,170,000	$178,760,000
Actuarial liability		
Present value of accrued benefits for:		
Active and disabled members	$78,763,000	$59,578,000
pensioners and survivors	$137,038,000	$101,533,000
deferred pensioners	$360,000	$458,000
Solvency liabilities	$216,161,000	$161,569,000
Solvency excess (deficiency)	$7,009,000	$17,191,000
Solvency ratio	100%	100%

Impact of Plan Wind Up

In our opinion, the value of the plan's assets would be greater than its actuarial liabilities if the plan were to be wound up on the valuation date.

Specifically, assets would exceed the actuarial liabilities of the Plan by $7,009,000. This calculation includes a provision for termination expenses that might be payable from the pension fund.

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Funding Requirements

Current Service Cost

The estimated value of the benefits that will accrue on behalf of the active members during 2006, in comparison with the corresponding value determined in the previous valuation as at December 31, 2003, is summarised below:

Employer's Current Service Cost

	2006	2004
Total current service cost	$4,636,000	$4,642,000
Estimated members' required contributions	($1,265,000)	($1,275,000)
Estimated employer's current service cost	$3,371,000	$3,367,000
Employer's current service cost expressed as a percentage of members' pensionable earnings	10.44%	9.96%

An analysis of the changes in the employer's current service cost follows:

Changes in Employer's Current Service Cost

Employer's current service cost as at 31.12.03	9.96%
Demographic changes	0.15%
Changes in assumptions	0.33%
Employer's current service cost as at 31.12.05	10.44%

Special Payments

Going-Concern Basis

As at the date of the previous valuation, December 31, 2003, the going concern unfunded liability was $24,119,000. In accordance with the *Pension Benefits Act (Newfoundland and Labrador)*, this unfunded liability must be amortized over a period not exceeding 15 years. The present value, as at December 31, 2005, of the remaining minimum annual special payments to amortize the going concern unfunded liability as at December 31, 2003, is as follows:

Present Value of Minimum Annual Special Payments

Type of Deficit	Effective Date	Annual Special Payment	Last Payment	Present Value Of Remaining Payments as At 31.12.05
Going concern unfunded liability	Dec. 31, 2000	$2,798,000	Dec. 31, 2015	$21,154,000
Going concern unfunded liability	Dec. 31, 2003	$2,000	Dec. 31, 2018	$18,000
Total		$2,800,000		$21,172,000

Due to the experience gain arising since the previous valuation, the unfunded liability as at December 31, 2005, $14,460,000, is now less than the present value of remaining minimum special payments.

In accordance with the *Pension Benefits Act (Newfoundland and Labrador)*, this gain must first be used to reduce any going-concern unfunded liability which may then be reamortised over the remainder of the original period or over a shorter period.

Accordingly, the recalculated minimum annual special payments, based on the assumptions described in Appendix B and with the older established going concern unfunded liability payments adjusted before later ones, are as follows:

Present Value of Minimum Annual Special Payments

Type of Deficit	Effective Date	Annual Special Payment	Last Payment	Present Value Of Remaining Payments as At 31.12.05
Going concern unfunded liability	Dec. 31, 2000	$2,798,000	Feb. 29, 2012	$14,442,000
Going concern unfunded liability	Dec. 31, 2003	$2,000	Dec. 31, 2018	$18,000
Total		$2,800,000		$14,460,000

The present value, as at December 31, 2005, of the current schedule of annual special payments, approved by the Board of Commissioners of Public Utilities, to amortize the going concern unfunded liability, is as follows:

Present Value of Annual Special Payments
Approved by the Board of Commissioners of Public Utilities

Type of Deficit	Effective Date	Current Annual Special Payment	Last Payment	Present Value Of Remaining Payments as At 31.12.05
Initial Unfunded Liability	Apr. 1, 1984	$4,188,000	Jul. 31, 2008	$10,020,000
Data Correction/Experience Loss	Jan. 1, 1992	$256,000	Dec. 31, 2006	$248,000
Assumption Change/Experience Loss	Jan. 1, 1993	$158,000	Dec. 31, 2007	$298,000
Early Retirement Window	Jul. 1, 1997	$775,000	Jun. 30, 2007	$1,110,000
Early Retirement Window	Jan. 1, 1998	$258,000	Dec. 31, 2007	$486,000
Pensioner Upgrade	Jul. 1, 1998	$88,000	Jun. 30, 2008	$204,000
Early Retirement Program	Dec. 31, 1999	$521,000	Jul. 31, 2008	$1,246,000
Early Retirement Program	April 1, 2005	$1,147,000	Mar. 31, 2015	$8,182,000
Total		$7,391,000		$21,794,000

The unfunded liability as at December 31, 2005, $14,460,000, is now less than the present value of these special payments, $21,794,000.

The adjusted schedule of payments, with payments in the most distant future reduced first, such that the present value of remaining special payments equals the going concern unfunded liability, is as follows:

Type of Deficit	Effective Date	Current Special Payment	Last Payment	Present Value Of Remaining Payments as At 31.12.05
Initial Unfunded Liability	Apr. 1, 1984	$4,188,000	Mar. 31, 2008	$8,810,000
Data Correction/Experience Loss	Jan. 1, 1992	$256,000	Dec. 31, 2006	$248,000
Assumption Change/Experience Loss	Jan. 1, 1993	$158,000	Dec. 31, 2007	$298,000
Early Retirement Window	Jan. 1, 1997	$775,000	Jun. 30, 2007	$1,110,000
Early Retirement Window	Jan. 1, 1998	$258,000	Dec. 31, 2007	$486,000
Pensioner Upgrade	Jul. 1, 1998	$88,000	Jan. 31, 2008	$172,000
Early Retirement Program	Dec. 31, 1999	$521,000	Mar. 31, 2008	$1,096,000
Early Retirement Program	Apr. 1, 2005	$1,147,000	Jan. 31, 2008	$2,240,000
Total		$7,391,000		$14,460,000

Solvency Basis

No solvency special payments are required.

Total Special Payments

Since no solvency special payments are required, the total minimum special payments are those required to eliminate the unfunded liability. As such, the following minimum annual special payments, as previously determined, must be made within the periods prescribed by the *Pension Benefits Act (Newfoundland and Labrador).*

Minimum Annual Special Payments

Type of Deficit	Effective Date	Annual Special Payment	Last Payment
Going concern unfunded liability	Dec. 31, 2000	$2,798,000	Feb. 29, 2012
Going concern unfunded liability	Dec. 31, 2003	$2,000	Dec. 31, 2018
Total		$2,800,000	

Since no solvency special payments are required, the total special payments are those required to eliminate the unfunded liability. The annual special payments approved by the Board of Commissions of Public Utilities, adjusted for gains and losses, is as follows:

Type of Deficit	Effective Date	Annual Special Payment	Last Payment
Initial Unfunded Liability	Apr. 1, 1984	$4,188,000	Mar. 31, 2008
Data Correction/Experience Loss	Jan. 1, 1992	$256,000	Dec. 31, 2006
Assumption Change/Experience Loss	Jan. 1, 1993	$158,000	Dec. 31, 2007
Early Retirement Window	Jan. 1, 1997	$775,000	Jun. 30, 2007
Early Retirement Window	Jan. 1, 1998	$258,000	Dec. 31, 2007
Pensioner Upgrade	Jul. 1, 1998	$88,000	Jan. 31, 2008
Early Retirement Program	Dec. 31, 1999	$521,000	Mar. 31, 2008
Early Retirement Program	Apr. 1, 2005	$1,147,000	Jan. 31, 2008
Total		$7,391,000	

Employer Contributions

There is an unfunded liability of $14,460,000, and a solvency ratio of 100% as at December 31, 2005. As such, based on the assumptions described in Appendix B and with actuarial gains used to adjust older established going concern unfunded liability payment before later ones, in accordance with the minimum requirements of the *Pension Benefits Act (Newfoundland and Labrador)*, Newfoundland Power Inc. must make minimum annual contributions to the plan for 2006, as follows:

Annual Employer Contributions

For current service: 10.44% of members' pensionable earnings
Minimum special payments for unfunded liability: $2,800,000

On the basis of the members' estimated pensionable earnings, we have estimated the minimum total employer contribution for 2006 to be $6,171,000, or $514,250 per month. We have estimated the total members' contributions for 2006 to be $1,265,000.

Estimated Minimum Employer's Contributions Until December 31, 2008

Year Ending	Current Service Cost	Minimum \Annual Special Payments	Minimum Employer's Contribution
2006	$3,371,000	$2,800,000	$6,171,000
2007	$3,506,000	$2,800,000	$6,306,000
2008	$3,646,000	$2,800,000	$6,446,000

Contributions for current service must be made within 30 days following the month to which they apply. Special payments to eliminate an unfunded liability or solvency deficiency must be made at least quarterly.

The estimated employer's contributions until December 31, 2008, based on the special payments approved by the Board of Commissioners of Public Utilities is as follows:

Year Ending	Current Service Cost	*Annual* Special Payments	Employer's Contribution
2006	$3,371,000	$7,391,000	$10,762,000
2007	$3,506,000	$6,747,000	$10,253,000
2008	$3,646,000	$1,280,000	$4,926,000

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Actuarial Opinion

With respect to the Actuarial Valuation as at December 31, 2005
of the Newfoundland Power Inc. Retirement Income Plan
Newfoundland and Labrador Registration 75241
Canada Revenue Agency 0486365

Based on the results of this valuation, we hereby certify that, as at December 31, 2005,

- The employer's current service cost for 2006 and subsequent years, up to the next actuarial valuation should be calculated as 10.44% of members' pensionable earnings.
- The employer's current service cost for 2006 is estimated to be $3,371,000. Member required contributions for 2006 are estimated to be $1,265,000.
- The plan would be fully funded on a going-concern basis if its assets were augmented by $14,460,000. In order to comply with the provisions of the *Pension Benefits Act (Newfoundland and Labrador)*, the unfunded liability must be liquidated by annual special payments at least equal to the amounts indicated, and for the periods set forth, below:

Minimum Annual Special Payments

Type of Deficit	Effective Date	Annual Special Payment	Last Payment
Going concern unfunded liability	Dec. 31, 2000	$2,798,000	Feb. 29, 2012
Going concern unfunded liability	Dec. 31, 2003	$2,000	Dec. 31, 2018
Total		$2,800,000	

Unfunded liability special payments, as approved by the Board of Commissioners of Public Utilities, and adjusted for gains and losses by reducing the most distant future payments first, are as follows:

Type of Deficit	Effective Date	Current Annual Special Payment	Last Payment
Initial Unfunded Liability	Apr. 1, 1984	$4,188,000	Mar. 31, 2008
Data Correction/Experience Loss	Jan. 1, 1992	$256,000	Dec. 31, 2006
Assumption Change/Experience Loss	Jan. 1, 1993	$158,000	Dec. 31, 2007
Early Retirement Window	Jan. 1, 1997	$775,000	Jun. 30, 2007
Early Retirement Window	Jan. 1, 1998	$258,000	Dec. 31, 2007
Pensioner Upgrade	Jul. 1, 1998	$88,000	Jan. 31, 2008
Early Retirement Program	Dec. 31, 1999	$521,000	Mar. 31, 2008
Early Retirement Program	Apr. 1, 2005	$1,147,000	Jan. 31, 2008
Total		$7,391,000	

- The plan has a solvency excess of $7,009,000 as at December 31, 2005, before recognition of the present value of the next 5 years' special payments. No special payments are required for solvency purposes.
- The solvency liabilities used to determine the solvency status of the plan do not exclude any benefit provided under the plan.
- We have included in the solvency liabilities the value of all benefits that may be contingent upon the circumstances of the postulated plan wind up. The circumstance in which the plan wind-up is assumed to have taken place are as follows: plan wind-up in conjunction with cessation of plan sponsor's operations.

- The solvency ratio of the plan is 100%.

- In our opinion,
  - the data on which the valuation is based are sufficient and reliable for the purposes of the valuation,
  - the assumptions are, in aggregate, appropriate for the purposes of determining the funded status of the plan as at December 31, 2005 on going-concern and solvency bases, and determining the minimum funding requirements, and
  - the methods employed in the valuation are appropriate for the purposes of determining the funded status of the plan as at December 31, 2005 on going-concern and solvency bases, and determining the minimum funding requirements.

- This report has been prepared, and our opinions given, in accordance with accepted actuarial practice.

- All assumptions made for the purposes of the valuation were reasonable at the time the valuation was prepared.

Scott Cushing

M. Scott Cushing
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries

Sept 27, 2006
Date

Anil Narale
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries

Sept 27, 2006
Date

Appendix A

Plan Assets

Sources of Plan Asset Data

The pension fund is managed by Barclays Global Investors Canada Limited and by Northern Trust Global Advisors Inc. and held in trust with RBC Dexia Investor Services ("RBC Dexia").

We have relied upon fund statements prepared by RBC Dexia and data provided by Newfoundland Power Inc., for the period from December 31, 2003 to December 31, 2005.

Reconciliation of Plan Assets

The pension fund transactions for the period from December 31, 2003 to December 31, 2005 are summarised as follows:

Reconciliation of Plan Assets (Market Value)

	2004	2005
January 1	$178,960,000	$197,906,000
PLUS		
Members' contributions	$1,324,000	$1,221,000
Company's current service contributions	$3,427,000	$3,165,000
Company's past service contributions	$6,386,000	$7,411,000
Investment income	$18,099,000	$27,510,000
	$29,236,000	$39,307,000
LESS		
Pensions paid	$9,915,000	$11,473,000
Transfer to Fortis Inc. Retirement Income Plan	$0	$1,140,000
Lump-sum refunds	$0	$745,000
Administration and investment fees	$375,000	$485,000
	$10,290,000	$13,843,000
December 31	$197,906,000	$223,370,000

We have tested the pensions paid, the lump-sum refunds and the contributions for consistency with the membership data for the plan members who have received benefits or made contributions. The results of these tests were satisfactory.

Investment Policy

The plan administrator adopted a statement of investment policy and objectives effective October, 2003. This policy is intended to provide guidelines for the manager(s) as to the level of risk which is commensurate with the plan's investment objectives. A significant component of this investment policy is the asset mix.

The constraints on the asset mix are provided for information purposes:

Distribution of the Market Value of the Fund by Asset Class

	Investment Policy		
	Minimum	**Target**	**Maximum**
Canadian Equities	35%	40%	45%
U.S. Equities	10%	15%	20%
Non-North American Equities	0%	5%	10%
Fixed Income	35%	40%	45%
Cash and short term	0%	0%	5%
		100%	

Performance of Fund Assets

The average return on the adjusted market value, net of expenses, since the last valuation at December 31, 2003 was 9.39% per year. This rate is greater than the assumed investment return of 6.00% by 3.39% per year.

Appendix B

Actuarial Methods and Assumptions

Actuarial Valuations Methods — Going-Concern Basis

Valuation of Assets

For this valuation, we have continued to use an adjusted market value method to determine the actuarial value of plan assets. Under this method, investment gains (losses) arising during a given year are spread on a straight-line basis over three years. As a result, the asset value produced as at December 31, 2005 recognises the following percentages of the investment gains (losses) that arose during past years:

2003 and before:	100%
2004:	67%
2005:	33%

The asset values produced by this method are related to the market value of the assets, with the advantage that, over time, the market-related asset values will tend to be more stable than market values. To the extent that more investment gains than losses will arise over the long term, the actuarial value will tend to be lower than the market value.

The actuarial value of the assets, determined as at December 31, 2005 under the adjusted market value method, is $210,945,000.

This value was derived as follows:

Actuarial Value of Assets as at 31.12.05

Market value of assets		$223,370,000
LESS		
Unrecognised investment gains (losses)	2004: $6,950,000 x 33% =	$2,317,000
	2005: $15,163,000 x 67% =	$10,108,000
		$12,425,000
Actuarial value of assets		$210,945,000

Valuation of Actuarial Liabilities

Over time, the real cost to the employer of a pension plan is the excess of benefits and expenses over member contributions and investment earnings. The actuarial cost method allocates this cost to annual time periods.

For purposes of the going-concern valuation, we have continued to use the *projected unit credit actuarial cost method.* Under this method, we determine the actuarial present value of benefits accrued in respect of service prior to the valuation date, including ancillary benefits, based on projected final average earnings. This is referred to as the *actuarial liability.*

The *funding excess* or *unfunded liability,* as the case may be, is the difference between the actuarial value of assets and the actuarial liability. An unfunded liability will be amortised over no more than 15 years through special payments as required under the *Pension Benefits Act (Newfoundland and Labrador).* A funding excess may, from an actuarial standpoint, be applied immediately to reduce required employer current service contributions unless precluded by the terms of the plan or by legislation.

This actuarial funding method produces a reasonable matching of contributions with accruing benefits. Because benefits are recognised as they accrue, the actuarial funding method aims at keeping the plan fully funded at all times. This promotes benefit security, once any unfunded liabilities and solvency deficiencies have been funded.

Current Service Cost

The *current service cost* is the actuarial present value of projected benefits to be paid under the plan with respect to service during the year following the valuation date.

The employer's current service cost is the total current service cost reduced by the members' required contributions.

The employer's current service cost has been expressed as a percentage of the members' pensionable earnings to provide an automatic adjustment in the event of fluctuations in membership and/or pensionable earnings.

Under the projected unit credit actuarial cost method, the current service cost for an individual member will increase each year as the member approaches retirement. However, the current service cost of the entire group, expressed as a percentage of the members' pensionable earnings, can be expected to remain stable as long as the average age of the group remains constant.

Given that the Newfoundland Power Retirement Income Plan is closed to new entrants, the average age of the group is expected to increase in the future and therefore, the current service cost of the group, expressed as a percentage of the members' pensionable earnings, can be expected to increase as well.

Employer's Contribution

Accordingly, the employer's contributions for this purpose, to the extent allowed by the terms of the plan and applicable legislation, are determined as follows:

Employer's Contributions

With an unfunded liability	With a funding excess
Current service cost	Current service cost
PLUS	MINUS
Payments to amortise any unfunded liability	Any funding excess applied to cover the employer's current service cost

Actuarial Assumptions — Going-Concern Basis

The actuarial value of benefits is based on economic and demographic assumptions. At each valuation, we determine whether, in our opinion, the actuarial assumptions are still appropriate for the purposes of the valuation, and we revise them if necessary.

In this valuation, we have used the same assumptions as in the previous valuation except as noted. Emerging experience will result in gains or losses that will be revealed and considered in future actuarial valuations. For this valuation, we have used the following assumptions:

Economic Assumptions

Investment Return

We have assumed that the investment return on the actuarial value of the fund will average 6.0% per year over the long term. We have based this assumption on an expected long-term return on the pension fund less a margin (or adverse deviations). The expected long-term return on the pension fund was determined for the target asset mix specified in the plan's investment policy consistent with market conditions applicable on the valuation date.

Expenses

The assumed investment return reflects an implicit provision for expenses.

Increases in Pensionable Earnings

The benefits ultimately paid will depend on each member's final average earnings. To calculate the pension benefits payable upon retirement, death or termination of employment, we have taken salary rates at January 1, 2006 and assumed that such salaries will increase at 4.0% per year.

Increases in the YMPE

Since the benefits provided by the plan depend on the final average Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan, it is necessary to make an assumption about increases in the YMPE for this valuation. We have assumed that the YMPE will increase at the rate of 3.5% per year from its 2006 level of $42,100. An assumption of 4.0% per year was used in the previous valuation.

Increases in the Maximum Pension Permitted under the Income Tax Act

The *Income Tax Act* stipulates that the maximum pension that can be provided under a registered pension plan will be increased to specified amounts in 2006 through 2009, and automatically, starting in 2010, in accordance with general increases in the average wage. The scheduled limits, per year of service are as follows:

Year	2006	2007	2008	2009	2010 and later
Limit	$2,111	$2,222	$2,333	$2,444	Indexed

For this valuation, we have assumed that the maximum pension payable under the plan will increase as specified in the *Income Tax Act* in 2006 through 2009, and will increase starting in 2010 at the rate of 3.5% per year. An assumption of increases of 4.0% starting in 2006 was used in the previous valuation.

Indexation of Pensions in Payment

For this valuation, no assumptions have been made with respect to indexing pensions in payment.

Demographic Assumptions

Retirement Age

Because early retirement pensions are reduced in accordance with a formula, the retirement age of plan members has an impact on the cost of the plan. We have assumed that members will retire one year after the later of the date they would have attained age 60 and age plus service would total 95 (date at which the member is entitled to an unreduced early retirement) but not later than age 65.

Termination of Employment

We have made an allowance for projected benefits payable on the termination of employment before retirement for reasons other than death.

We have used termination rates that are based on 50% of the turnover rates under the Ontario Light termination table. We have not used rates of termination after age 39. Sample rates are shown in the following table:

Termination Rates

Age	Percentage
25	5.0%
30	2.8%
35	1.6%
39	1.2%
40 – 64	0.0%

Mortality

The actuarial value of the pension depends on the lifetime of the member. We have assumed mortality rates, both before and after retirement, in accordance with the projected Group Annuity Reserving (GAR) Table for 1994. According to this table, the life expectancy at age 65 is 19.8 years for males and 22.4 years for females.

Disability

We have not made an allowance for incidence of disability prior to retirement.

Family Composition

Benefits in case of death, before and after retirement, depend on the plan member's marital status.

For this valuation, we have assumed that 80% of plan members will have an eligible spouse on the earlier of death or retirement, and that the male partner will be three years older than the female partner.

Actuarial Valuation Methods and Assumptions — Solvency

We have used the market value of the plan's assets in our valuation of the plan for solvency purposes.

To determine the solvency actuarial liability, we have valued those benefits that would have been paid had the plan been wound up on the valuation date, with all members fully vested in their accrued benefits. The circumstances in which the plan wind-up is assumed to have taken place are as follows: total wind-up in conjunction with cessation of the plan sponsor's operations.

We have considered that members under 55 years of age on that date would be entitled to a deferred pension payable from age 65 or such earlier age for which plan eligibility requirements have been satisfied at December 31, 2005. Members aged 55 and over are considered to be entitled to an immediate pension, reduced in accordance with the plan rules. Benefits are assumed to be settled through a lump sum transfer for active and disabled members under 55 years of age at December 31, 2005. The value of the benefits accrued on December 31, 2005, for such members is based on the assumptions described in the Canadian Institute of Actuaries – Standard of Practice for Determining Pension Commuted Values applicable for December 31, 2005 for benefits expected to be settled through transfer in accordance with relevant portability requirements.

Benefits are assumed to be settled through the purchase of annuities for active and disabled members age 55 or older at December 31, 2005 as well as all deferred and current pensioners and beneficiaries. The value of the benefits accrued on December 31, 2005, for such members is based on an estimate of the cost of settlement through purchase of annuities. Assumptions are as follows:

Actuarial Assumptions

Mortality rates:	UP-1994 projected to 2015
Interest rates for benefits to be settled through lump sum transfer:	4.5% per year for the first 10 years following 31.12.05, 5.0% per year thereafter
Interest rates for benefits to be settled through annuity purchase:	4.50% per year
Final average earnings	Based on actual pensionable earnings over the averaging period
Family composition:	Same as for going-concern valuation
Maximum pension limit:	$2,000 per year of service
Termination expenses:	$200,000

In a solvency valuation, the accrued benefits are based on the member's final average earnings on the valuation date; therefore no salary projection is used. Also, the employment of each member is assumed to have terminated on the valuation date, therefore, no assumption is required for future rates of termination of employment.

Appendix C

Membership Data

Analysis of Membership Data

The actuarial valuation is based on membership data as at December 31, 2005, provided by Newfoundland Power Inc.

We have applied tests for internal consistency, as well as for consistency with the data used for the previous valuation. These tests were applied to membership reconciliation, basic information (date of birth, date of hire, date of membership, gender, etc.), pensionable earnings, credited service, contributions accumulated with interest and pensions to retirees and other members entitled to a deferred pension. Contributions, lump sum payments and pensions to retirees were compared with corresponding amounts reported in financial statements. The results of these tests were satisfactory.

Plan membership data are summarised below. For comparison, we have also summarised corresponding data from the previous valuation.

Membership Data

	31.12.05	31.12.03
Active Members		
▪ Number	538	623
▪ Average age	46.8	45.8
▪ Average years of pensionable service	21.4 years	20.6 years
▪ Total estimated pensionable earnings for following year	$32,294,554	$33,805,142
▪ Accumulated contributions with interest	$22,913,699	$23,726,434
Disabled Members		
▪ Number	19	26
▪ Average age	51.3	50.5
▪ Average years of pensionable service	22.6 years	22.6 years
▪ Total estimated pensionable earnings for following year	$758,994	$1,006,642
▪ Accumulated contributions with interest	$463,783	$677,521
Deferred Pensioners		
▪ Number	8	8
▪ Average age	49.3	48.7
▪ Total annual pension	$74,935	$61,747
Pensioners and Survivors		
▪ Number	673	613
▪ Average age	67.3	67.6
▪ Total annual lifetime pension	$8,551,945	$7,169,512
▪ Total annual bridge pension	$3,374,172	$2,866,416

The membership movement for all categories of membership since the previous actuarial valuation is as follows:

Reconciliation of Membership

	Actives	Disabled	Deferred Vested	Pensioners and Beneficiaries	Total
Total at 31.12.03	**623**	**26**	**8**	**613**	**1,270**
New entrants	1				1
Return from Disabled	4	(4)			
Return from Deferred	2		(2)		
To Disabled	(3)	3			
Deferred	(1)		1		
Terminations, transfers/refunds	(11)		2		(9)
Deaths, no benefits outstanding	(4)			(20)	(24)
Deaths with beneficiary				(19)	(19)
Beneficiaries				19	19
Retired	(73)	(6)	(1)	80	
Total at 31.12.05	**538**	**19**	**8**	**673**	**1,238**

The distribution of the active members by age and pensionable service as at December 31, 2005, is summarised as follows:

Distribution of Active Members by Age Group and Pensionable Service as at 31.12.05

	Years of Pensionable Service							
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30+**	**Total**
Under 20								
20 - 24								
25 - 29	5	3						8
30 - 34	3	14						17
35 - 39	6	29	14	21	1			71
40 - 44	1	9	7	54	23	1		95
45 - 49	2	9	5	29	31	57	19	152
50 - 54		1	2	19	13	49	71	155
55 - 59		1		2	4	9	19	35
60 - 64		1		1		1	2	5
65 +								
Total	**17**	**67**	**28**	**126**	**72**	**117**	**111**	**538**

The distribution of the inactive members by age as at December 31, 2005, is summarised as follows:

Distribution of Inactive Members
By Age Group as at 31.12.05

	Deferred Pensioners		Pensioners and Survivors			
Age	**Number**	**Average Annual Pension**	**Number**	**Average Annual Lifetime Pension**	**Number**	**Average Annual Bridge Pension**
25 - 29	1	$1,760				
30 - 34						
35 - 39	1	$11,498				
40 - 44						
45 - 49	2	$11,615				
50 - 54	2	$13,123	46	$18,696	45	$13,947
55 - 59			127	$15,950	120	$12,386
60 - 64	2	$6,102	123	$13,411	108	$11,669
65 - 69			137	$11,412		
70 - 74			97	$11,296		
75 - 79			69	$9,791		
80 - 84			35	$11,314		
85 - 89			31	$7,564		
90 - 94			8	$6,432		
95 - 99						
100 +						
Total	8	$9,367	673	$12,707	273	$12,360

Appendix D

Summary of Plan Provisions

Introduction

The Newfoundland Power Inc. Retirement Income Plan became effective April 1, 1984.

This valuation is based on the plan provisions in effect on December 31, 2005. The following is a summary of the plan's main provisions in effect on December 31, 2005. It is not intended as a complete description of the plan.

Eligibility for Membership

Each employee hired before the effective date of this plan is eligible to participate. Each employee hired on or after the effective date shall become a member of the plan on the first day of employment.

Membership was optional for employees transferred from an affiliated company, for employees hired or designated as manager or executive, and for non-bargaining unit employees hired on or after August 1, 2003.

However, effective May 1, 2004, the plan was closed to new entrants.

Contributions

The members are contributing to the plan at the rate of 3 1/3% of their salary up to the Year's Maximum Pensionable Earnings (YMPE) and 5% of their salary in excess of the YMPE. For 1984, the members were contributing at the rate of 60% (2%/3%) of their full rate starting on April 1st.

No contributions shall be required to be made beyond 35 years of service. However, members may elect to make required contributions beyond completion of 35 years, up to the maximum of $1,000, in order to attain higher final average earnings.

Interest shall be credited on member contributions at a rate not less than the rate at issue of the last Canada Savings Bond issued prior to the start of the calendar year. Effective January 1, 1997, interest shall be credited based on the average of the yields on 5-year personal fixed term chartered bank deposits published in the Bank of Canada Review as CANSIM Series B14045, the averaging to be done over a reasonable recent period, not exceeding twelve months.

Additional voluntary contributions are not permitted after January 1, 1992.

The Company is contributing the remaining cost for current service and the cost for past service.

The YMPE, or Year's Maximum Pensionable Earnings, refers to the maximum annual amount of earnings upon which an employee and an employer contribute to the Canada/Québec Pension Plan (C/QPP).

Retirement Dates

Normal Retirement Date

The normal retirement date is the first day of the month coincident with or next following the member's 65th birthday.

Postponed Retirement

An active member may not postpone retirement beyond the normal retirement age of 65 years.

Retirement Benefits

Normal Retirement

Upon normal retirement a member is entitled to an annual pension equal to 1 1/3% of the average of his best 36 months of earnings during which contributions were made up to the final average YMPE plus 2% of such best average earnings in excess of the average of the final 36 months YMPE for each year of credited service (up to a maximum of 35 years).

Early Retirement Pension

An early retirement pension without reduction is payable if the member has both attained age 60 and has a combined total years of age plus service of 95.

An early retirement pension with a subsidized reduction is permissible if the member's age plus service is 85 or greater.

The amount of the reduction is:

1. if the member's total years of age plus service total 95 or more – 1/4% for each month before age 60, and.

2. if the member's total years of age plus service total less than 95 - 1/3% for each month before the earliest date at which the member could have elected unreduced retirement.

Early retirement is permitted after attaining age 55 with a pension that is actuarially reduced from age 65.

Maximum Pension

The total annual pension payable from the plan upon retirement, death or termination of employment cannot exceed the lesser of:

- 2% of the average of the best three consecutive years of total compensation paid to the member by the Company, multiplied by total credited service; and

- $2,000 or such other maximum permitted under the *Income Tax* Act, multiplied by the member's total credited service.

Survivor Benefits

Death Before Retirement

On death of a member before retirement, his/her surviving spouse shall be entitled to 55% of his/her accrued pension payable immediately for life.

If the surviving spouse is more than 15 years younger than the participant, the entitlement is reduced by 1.5% of each full year in excess of 15.

If there is no surviving spouse, the beneficiary shall receive a refund of the member's accumulated contributions with interest.

Notwithstanding the above, if a member or former member who has completed 2 years of membership in the plan dies after December 31, 1996, the surviving spouse or beneficiary is entitled to the minimum death benefit equal to the actuarial value of the vested pension benefits accrued after December 31, 1996.

Death After Retirement

The normal form of payment for a member with a spouse at retirement is a joint and survivor pension with 55% of the member's pension continuing to the surviving spouse. However, the member may elect to receive an optional form of pension on an actuarial equivalent basis.

The normal form of payment for a member without a spouse is pension payable for the member's lifetime. However, in no case shall the total of pension payments paid to the member prior to death be less than the member's accumulated contributions with interest at pension commencement.

Termination Benefits

Pension Benefit Accrued Prior to January 1, 1997

1. <u>Prior to Completion of 5 Years of Service</u>
   A member who terminates his/her employment after December 31, 1996 but prior to completing 5 years of service will receive a refund of his/her accumulated contributions made prior to January 1, 1997 with interest.

2. <u>After Completion of 5 Years of Service</u>
   A. A member who terminates his/her employment after December 31, 1996 and after completing 5 years of service will receive a termination benefit equal to the greater of:

      – 2 times his accumulated member's contributions made prior to January 1, 1997 with interest, or

      – the actuarial value of his vested pension accrued prior to January 1, 1997.

   B. For a member with age plus service totalling 45 or more, the member has the choice of receiving:

      – a deferred pension, or

      – a refund of his contributions and the balance of his/her termination benefit, as determined in section 2.A. above, transferred to a locked-in RRSP.

   C. Notwithstanding the above, a member who has attained age 45 and has 10 years or more of service is entitled to either a deferred pension or a transfer to a locked-in RRSP of the value of his termination benefits, as determined in section 2.A. above.

Pension Benefits Accrued After December 31, 1996

1. <u>Prior to Completion of 2 Years of Membership Service</u>
   A member who terminates his/her employment after December 31, 1996 before completing 2 years of membership service will receive a refund of his/her accumulated contributions made after December 31, 1996 with interest ("Post 96 Accumulated Member Contributions").

2. <u>Completion of 2 Years of Membership Service</u>
   A. A member terminates his/her employment after December 31, 1996 with 2 years of membership service will receive the termination benefit equal to the greater of:

      – 2 times his/her Post 96 Accumulated Member Contributions provided he/she has completed 5 years of service; and

      – the sum of:

        (1) the actuarial value of his pension benefit accrued after December 31, 1996.

        (2) the excess, if any, of the Post 96 Accumulated Member Contributions over 50% of the actuarial value of his/her pension benefit accrued after December 31, 1996 ("Excess Member Contribution").

   B. The Member has the choice of receiving:

      – a deferred pension with respect to his pension benefit accrued after December 31, 1996 plus a refund of his/her Excess Member Contribution; or

      – a refund of his/her Excess Member Contributions plus a transfer of the balance of the termination benefit, as determined under section 2.A. above, to a locked-in RRSP.

Disability Benefits

During a member's disability the earnings are deemed to be equal to the amount earned at the time of becoming disabled and the member continues to accrue service. A disabled member shall not be required to contribute to the plan. The Company contributes the entire cost of the benefits.

Appendix E

Employer Certification

With respect to the report on the actuarial valuation of the Newfoundland Power Inc. Retirement Income Plan, as at December 31, 2005, I hereby certify that, to the best of my knowledge and belief:

- a copy of the official plan documents and of all amendments made up to December 31, 2005, were provided to the actuary;
- the membership data provided to the actuary include a complete and accurate description of every person who is entitled to benefits under the terms of the plan for service up to December 31, 2005, and
- all events subsequent to December 31, 2005 that may have an impact on the results of the valuation have been communicated to the actuary.

September 14, 2006
Date

Signed

Robert G. Meyers, Treasurer
Name

Financial Statements of Newfoundland Power Inc.
Retirement Income Plan
December 31, 2005

ASSURANCE AND ADVISORY
BUSINESS SERVICES

ASSURANCE SERVICES

Financial Statements of

Newfoundland Power Inc.
Retirement Income Plan

December 31, 2005

ERNST & YOUNG

ERNST & YOUNG LLP

AUDITORS' REPORT

To the Board of Directors of
Newfoundland Power Inc.

We have audited the statement of accrued plan benefits and net assets available for benefits of **Newfoundland Power Inc. Retirement Income Plan** (the "Plan") as at December 31, 2005 and the statement of changes in accrued plan benefits and changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2005 and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

St. John's, Canada,
March 31, 2006.

Chartered Accountants

Newfoundland Power Inc.
Retirement Income Plan
Statement of Accrued Plan Benefits and Net Assets Available for Benefits
Year ended December 31, 2005
(in thousands)

	2005 $	2004 $
ACCRUED PLAN BENEFITS		
Actuarial present value of accrued plan benefits (note 4)	**219,672**	207,369
NET ASSETS AVAILABLE FOR BENEFITS		
Investments at market value (note 5)	**223,370**	197,906
Accounts payable and accrued liabilities	**55**	133
Net assets available for benefits	**223,315**	197,773
FUNDED STATUS		
(Excess) deficiency of net assets over actuarial present value of accrued plan benefits	**(3,643)**	9,596
	219,672	207,369

APPROVED

____________________ Director   ____________________ Director

Newfoundland Power Inc.
Retirement Income Plan
Statement of Changes in Accrued Plan Benefits
Year ended December 31, 2005
(in thousands)

	2005 $	2004 $
Actuarial present value of accrued plan benefits, beginning of year	**207,369**	206,816
Change in actuarial present value of accrued plan benefits due to change in assumptions	-	(4,649)
Impact of other experience (gains) losses	-	(2,232)
Actuarial present value of accrued plan benefits at January 1 (adjusted)	**207,369**	199,935
INCREASE (DECREASE) DURING YEAR		
Benefits accumulated	**4,383**	4,642
Benefits paid	**(12,218)**	(9,915)
Additional benefits due to increase in survivor death benefits	-	696
Additional benefits due to 2004 early retirement window	-	171
Additional benefits due to 2005 early retirement window	**8,690**	-
Transfers in/out of Plan	**(1,140)**	-
Decrease in the discount period	**12,588**	11,840
	12,303	7,434
Actuarial present value of accrued plan benefits, end of year	**219,672**	207,369

Newfoundland Power Inc.
Retirement Income Plan
Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 2005
(in thousands)

	2005 $	2004 $
INCREASE IN ASSETS		
Investment income		
Interest and dividends	**14,128**	14,157
Contributions		
Employee	**1,221**	1,324
Company - current and past service	**10,576**	9,813
	11,797	11,137
Increase in market value of investments for the year	**13,382**	3,943
Increase in assets	**39,307**	29,237
DECREASE IN ASSETS		
Benefits paid	**12,218**	9,915
Transfers in/out of Plan	**1,140**	-
Administrative expenses	**407**	449
Decrease in assets	**13,765**	10,364
INCREASE IN NET ASSETS	**25,542**	18,873
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	**197,773**	178,900
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	**223,315**	197,773

Newfoundland Power Inc.
Retirement Income Plan

Notes to the Financial Statements

December 31, 2005

1. ORGANIZATION OF RETIREMENT INCOME PLAN

Effective January 1, 1991, a Master Trust agreement was created to establish a Fund to be known as the Newfoundland Power Inc. Master Trust Fund (the "Fund"). The Newfoundland Power Inc. Retirement Income Plan and Fortis Inc. Retirement Income Plan are the participants in the Fund.

Upon the establishment of the Fund, a determination of units of the Fund to be issued to each participant was made based on the fair market value of the assets transferred to the Fund. The amount reported for the accrued plan benefits was determined by actuarial calculations. Net income is computed based on the participant's proportionate share of units held to the total units held by all participants in the Fund. Additional units of the Fund are issued to the participants based on contributions made and net income earned. Participants may redeem all or part of the units held.

These financial statements include the net assets available for benefits and the accrued plan benefits for the Newfoundland Power Inc. Retirement Income Plan.

2. DESCRIPTION OF THE PLAN

The following brief description of the retirement income plan of Newfoundland Power Inc. is provided for general information purposes only. For more complete information readers should refer to the text of the plan.

(a) General

The effective date of the plan is April 1, 1984. The plan is a contributory, defined benefit pension plan. The plan covers permanent employees employed with the company up to April 30, 2004. The plan was closed to new entrants as of May 1, 2004.

(b) Retirement benefits

Upon reaching the normal retirement age of 65, employees are entitled to an annual pension equal to 1 1/3% of their best 36 months salary up to the average of the last 36 months consecutive maximum pensionable earnings under the Canada Pension Plan plus 2% of their best 36 consecutive months salary in excess of the average of the last 36 months maximum pensionable earnings for each year of credited service up to a maximum of 35 years.

Early retirement without reduction is possible from age 60 if age plus service totals 95 or more. The retirement benefit is reduced if age and service requirements are not met.

The maximum annual pension is $2,000 per year of service.

2. DESCRIPTION OF THE PLAN (Continued)

(c) Termination benefits

Termination benefits apply to members who terminate continuous service prior to reaching eligibility for early retirement benefits. The primary determinant of termination benefits is the vesting status of the member's plan benefits. Benefits accrued to a member before January 1, 1997 will vest upon completion of 5 years of continuous service, while benefits accrued on or after January 1, 1997 will vest upon completion of 2 years of plan membership.

Upon termination of plan membership, members whose benefits have vested are entitled to the actuarial present value of pension benefits accrued. Members whose benefits have not vested receive a lump sum refund of their contributions plus interest. Members with 5 years of continuous service are entitled to the greater of 2 times their required contributions plus interest or the actuarial present value of pension benefits.

(d) Death benefits

The surviving spouse of an employee who dies before or after the employee's retirement shall be entitled to 55% (amendment dated June 2004 – previously 50%) of the accrued retirement income. Any other beneficiary shall receive a refund of the balance of the employee's accumulated contributions, with credited interest, less cumulative pension paid.

(e) Termination

Newfoundland Power Inc. reserves the right to terminate the plan, in whole or in part, on a resolution adopted by the Board of Directors. Any termination of the plan will be in accordance with its terms and provisions and the regulations of the Newfoundland Pension Benefits Act.

(f) Income taxes

This plan is not subject to income taxes, since it is a Registered Pension Trust as defined by the Income Tax Act.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The financial statements present the aggregate financial position without regard to the priority classes set out in the plan terms or prescribed by applicable provincial and federal legislation. Because the financial statements pertain to the plan as a whole, they provide no information about the portion of assets attributable to any individual member or group of members. The statements do not purport to reflect the financial status of the plan if terminated on the valuation date or to reflect the funding requirements of the plan or the pension expense that should be included in the financial statements of the plan sponsor.

(b) Basis of accounting

The accounts are maintained on the accrual basis of accounting. Accordingly, dividend and interest income is accounted for as earned rather than when received and the security transactions are recorded on a trade-date basis.

(c) Investments

Investments are stated at market value based on published market quotations.

(d) Increase in market value of investments

Unrealized gains and losses are included in increase in value of investments.

4. ACTUARIAL PRESENT VALUE OF ACCRUED PLAN BENEFITS

Accrued benefits are those future payments attributable under the plan's provisions of expected future earnings of plan members at their normal retirement dates and services rendered to the valuation date. Accrued benefits include benefits expected to be paid, as outlined in Note 2, to retired or terminated employees or their beneficiaries, beneficiaries of employees who have died and present employees or their beneficiaries.

The actuarial present value of plan benefits is the amount that results from applying actuarial assumptions to adjust the plan benefits to reflect the time value of money (through discounts for interest and the probability of payment by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used were:

- Life expectancy of participants - as listed in the 1994 Group Annuity Reserving Mortality Table.

- Retirement - the average age of retirement is assumed to be the earlier of age 65 or age plus service equaling 95 for active members and age 65 for disabled members.

- Discount rate - 6.0% (2004 – 6.0%)

- Salary growth projections - 4.0% per annum (2004 – 4.0%).

- Inflation increase projections - 4.0% per annum (2004 – 4.0%).

An actuarial valuation of the plan was made as of December 31, 2003. Accrued plan benefits as at December 31, 2005 are based on extrapolations by the actuary using the same assumptions.

5. INVESTMENT ASSETS

The assets of the plan are held by the Royal Trust Company of Canada, which acts as corporate trustee for the plan.

The investments are presented by units of the Fund. The investments of the Fund are held in the pooled funds of Barclay's Global Investors and Northern Trust Global Advisors Inc. and are represented as follows:

	2005 $	2004 $
Canadian		
Money market instruments	**67,944**	74,173
Bonds, debentures and notes	**87,994,460**	73,479,059
Equities	**89,903,309**	85,622,963
Real estate	**581,779**	3,766,738
Foreign		
Equities	**44,822,037**	34,963,040
	223,369,529	197,905,973

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Financial Statements of Newfoundland Power Inc.
Retirement Income Plan
December 31, 2006

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Financial Statements of

Newfoundland Power Inc.
Retirement Income Plan

December 31, 2006

ERNST & YOUNG

ERNST & YOUNG LLP

AUDITORS' REPORT

To the Board of Directors of
Newfoundland Power Inc.

We have audited the statement of accrued plan benefits and net assets available for benefits of **Newfoundland Power Inc. Retirement Income Plan** (the "Plan") as at December 31, 2006 and the statements of changes in accrued plan benefits and changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2006 and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

St. John's, Canada
March 31, 2007.

Chartered Accountants

Newfoundland Power Inc.
Retirement Income Plan
Statement of Accrued Plan Benefits and Net Assets Available for Benefits
Year ended December 31, 2006
(in thousands)

	2006 $	2005 $
ACCRUED PLAN BENEFITS		
Actuarial present value of accrued plan benefits (note 4)	234,330	219,672
NET ASSETS AVAILABLE FOR BENEFITS		
Investments at market value (note 5)	**250,226**	223,370
Accounts payable and accrued liabilities	**(126)**	(55)
Net assets available for benefits	**250,100**	223,315
FUNDED STATUS		
Excess of net assets over actuarial present value of accrued plan benefits	(15,770)	(3,643)
	234,330	219,672

APPROVED

_______________________ Director _______________________ Director

Newfoundland Power Inc.
Retirement Income Plan
Statement of Changes in Accrued Plan Benefits

Year ended December 31, 2006

(in thousands)

	2006 $	2005 $
Actuarial present value of accrued plan benefits, beginning of year	**219,672**	207,369
Change in actuarial present value of accrued plan benefits due to change in assumptions	**2,194**	-
Impact of other experience (gains) losses	**3,539**	-
Actuarial present value of accrued plan benefits at January 1 (adjusted)	**225,405**	207,369
INCREASE (DECREASE) DURING YEAR		
Benefits accumulated	**4,587**	4,383
Benefits paid	**(12,295)**	(12,218)
Additional benefits for ad-hoc pension increase	**2,986**	-
Additional benefits due to 2005 early retirement window	-	8,690
Additional benefits due to 2006 early retirement window	**262**	-
Transfers in/out of Plan	-	(1,140)
Decrease in the discount period	**13,385**	12,588
	8,925	12,303
Actuarial present value of accrued plan benefits, end of year	234,330	219,672

Newfoundland Power Inc.
Retirement Income Plan
Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 2006
(in thousands)

	2006 $	2005 $
INCREASE IN ASSETS		
Investment income		
Interest and dividends	8,450	14,128
Contributions		
Employee	**1,216**	1,221
Company - current and past service	**10,911**	10,576
	12,127	11,797
Increase in market value of investments for the year	**18,881**	13,382
Increase in assets	**39,458**	39,307
DECREASE IN ASSETS		
Benefits paid	**12,294**	12,218
Transfers in/out of Plan	-	1,140
Administrative expenses	379	407
Decrease in assets	12,673	13,765
INCREASE IN NET ASSETS	**26,785**	25,542
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	223,315	197,773
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	250,100	223,315

1. ORGANIZATION OF RETIREMENT INCOME PLAN

Effective January 1, 1991, a Master Trust agreement was created to establish a Fund to be known as the Newfoundland Power Inc. Master Trust Fund (the "Fund"). The Newfoundland Power Inc. Retirement Income Plan and Fortis Inc. Retirement Income Plan are the participants in the Fund.

Upon the establishment of the Fund, a determination of units of the Fund to be issued to each participant was made based on the fair market value of the assets transferred to the Fund. The amount reported for the accrued plan benefits was determined by actuarial calculations. Net income is computed based on the participant's proportionate share of units held to the total units held by all participants in the Fund. Additional units of the Fund are issued to the participants based on contributions made and net income earned. Participants may redeem all or part of the units held.

These financial statements include the net assets available for benefits and the accrued plan benefits for the Newfoundland Power Inc. Retirement Income Plan.

2. DESCRIPTION OF THE PLAN

The following brief description of the retirement income plan of Newfoundland Power Inc. is provided for general information purposes only. For more complete information readers should refer to the text of the plan.

(a) General

The effective date of the plan is April 1, 1984. The plan is a contributory, defined benefit pension plan. The plan covers permanent employees employed with the company up to April 30, 2004. The plan was closed to new entrants as of May 1, 2004.

(b) Retirement benefits

Upon reaching the normal retirement age of 65, employees are entitled to an annual pension equal to 1 1/3% of their best 36 months salary up to the average of the last 36 months consecutive maximum pensionable earnings under the Canada Pension Plan plus 2% of their best 36 consecutive months salary in excess of the average of the last 36 months maximum pensionable earnings for each year of credited service up to a maximum of 35 years.

Early retirement without reduction is possible from age 60 if age plus service totals 95 or more. The retirement benefit is reduced if age and service requirements are not met.

2. DESCRIPTION OF THE PLAN (Continued)

The maximum annual pension is $2,111 per year of service.

(c) Termination benefits

Termination benefits apply to members who terminate continuous service prior to reaching eligibility for early retirement benefits. The primary determinant of termination benefits is the vesting status of the member's plan benefits. Benefits accrued to a member before January 1, 1997 will vest upon completion of 5 years of continuous service, while benefits accrued on or after January 1, 1997 will vest upon completion of 2 years of plan membership.

Upon termination of plan membership, members whose benefits have vested are entitled to the actuarial present value of pension benefits accrued. Members whose benefits have not vested receive a lump sum refund of their contributions plus interest. Members with 5 years of continuous service are entitled to the greater of 2 times their required contributions plus interest or the actuarial present value of pension benefits.

(d) Death benefits

The surviving spouse of an employee who dies before or after the employee's retirement shall be entitled to 55% (amendment dated June 2004 – previously 50%) of the accrued retirement income. Any other beneficiary shall receive a refund of the balance of the employee's accumulated contributions, with credited interest, less cumulative pension paid.

(e) Termination

Newfoundland Power Inc. reserves the right to terminate the plan, in whole or in part, on a resolution adopted by the Board of Directors. Any termination of the plan will be in accordance with its terms and provisions and the regulations of the Newfoundland Pension Benefits Act.

(f) Income taxes

This plan is not subject to income taxes, since it is a Registered Pension Trust as defined by the Income Tax Act.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The financial statements present the aggregate financial position without regard to the priority classes set out in the plan terms or prescribed by applicable provincial and federal legislation. Because the financial statements pertain to the plan as a whole, they provide no information about the portion of assets attributable to any individual member or group of members. The statements do not purport to reflect the financial status of the plan if terminated on the valuation date or to reflect the funding requirements of the plan or the pension expense that should be included in the financial statements of the plan sponsor.

(b) Basis of accounting

The accounts are maintained on the accrual basis of accounting. Accordingly, dividend and interest income is accounted for as earned rather than when received and the security transactions are recorded on a trade-date basis.

(c) Investments

Investments are stated at market value based on published market quotations.

(d) Increase in market value of investments

Unrealized gains and losses are included in the increase in market value of investments.

4. ACTUARIAL PRESENT VALUE OF ACCRUED PLAN BENEFITS

Accrued benefits are those future payments attributable under the plan's provisions of expected future earnings of plan members at their normal retirement dates and services rendered to the valuation date. Accrued benefits include benefits expected to be paid, as outlined in Note 2, to retired or terminated employees or their beneficiaries, beneficiaries of employees who have died and present employees or their beneficiaries.

The actuarial value of plan benefits is the amount that results from applying actuarial assumptions to adjust the plan benefits to reflect the time value of money (through discounts for interest and the probability of payment by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used were:

4. ACTUARIAL PRESENT VALUE OF ACCRUED PLAN BENEFITS (Continued)

- Life expectancy of participants - as listed in the 1994 Group Annuity Reserving Mortality Table.
- Retirement - the average age of retirement is assumed to be the earlier of age 65 or age plus service equaling 95 for active members and age 65 for disabled members.
- Discount rate - 6.0% (2005 – 6.0%)
- Salary growth projections - 4.0% per annum (2005 – 4.0%).
- Inflation increase projections - 4.0% per annum (2005 – 4.0%).

An actuarial valuation of the plan was made as of December 31, 2005. Accrued plan benefits as at December 31, 2006 are based on extrapolations by the actuary using the same assumptions.

5. INVESTMENT ASSETS

The assets of the plan are held by RBC Dexia, which acts as corporate trustee for the plan.

The investments are presented by units of the Fund. The investments of the Fund are held in the pooled funds of Barclay's Global Investors and Northern Trust Global Advisors Inc. and are represented as follows:

	2006 $	2005 $
Canadian		
Money market instruments	**115,947**	67,944
Bonds, debentures and notes	**92,512,745**	87,994,460
Equities	**104,742,319**	89,903,309
Real estate	**23,124**	581,779
Foreign		
Equities	**52,832,021**	44,822,037
	250,226,156	223,369,529

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Financial Statements of Newfoundland Power Inc.
Retirement Income Plan
December 31, 2007

Assurance and Advisory Business Services

Assurance Services

Financial Statements of

Newfoundland Power Inc. Retirement Income Plan

December 31, 2007

Ernst & Young

Ernst & Young LLP

AUDITORS' REPORT

To the Board of Directors of
Newfoundland Power Inc.

We have audited the statement of accrued plan benefits and net assets available for benefits of **Newfoundland Power Inc. Retirement Income Plan** (the "Plan") as at December 31, 2007 and the statements of changes in accrued plan benefits and changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2007 and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

St. John's, Canada
February 8, 2008

Chartered Accountants

Newfoundland Power Inc.
Retirement Income Plan
Statement of Accrued Plan Benefits and Net Assets Available for Benefits
As at December 31
(in thousands)

	2007 $	2006 $
ACCRUED PLAN BENEFITS		
Accrued present value of accrued plan benefits (note 4)	**240,377**	234,330
NET ASSETS AVAILABLE FOR BENEFITS		
Investments at market value (note 5)	**259,731**	250,226
Accounts payable and accrued liabilities	**(91)**	(126)
Net assets available for benefits	**259,640**	250,100
FUNDED STATUS		
Excess of net assets over actuarial present value of accrued plan benefits	**19,263**	15,770
	240,377	234,330

See accompanying notes

APPROVED:

____________________ **Director** ____________________ **Director**

Newfoundland Power Inc.
Retirement Income Plan
Statement of Changes in Accrued Plan Benefits
Year ended December 31
(in thousands)

	2007 $	2006 $
Actuarial present value of accrued plan benefits, beginning of the year	**234,330**	219,672
Change in actuarial present value of accrued plan benefits due to change in assumptions	-	2,194
Impact of other experience losses	-	3,539
Actuarial present value of accrued plan benefits, at January 1 (adjusted)	**234,330**	225,405
INCREASE (DECREASE) DURING THE YEAR		
Benefits accumulated	**4,814**	4,587
Benefits paid	**(12,596)**	(12,295)
Additional benefits for ad-hoc pension increase	-	2,986
Additional benefits due to 2006 early retirement window	-	262
Decrease in discount period	**13,829**	13,385
	6,047	8,925
Actuarial present value of accrued plan benefits, end of the year	**240,377**	234,330

See accompanying notes

Newfoundland Power Inc.
Retirement Income Plan
Statement of Changes in Net Assets Available for Benefits
Year ended December 31
(in thousands)

	2007 $	2006 $
INCREASE IN NET ASSETS		
Investment income		
Interest and dividends	**16,608**	8,450
Contributions		
Employee	**1,215**	1,216
Company – current and past service	**10,904**	10,911
	12,119	12,127
(Decrease) increase in market value of investments for the year	**(6,188)**	18,881
Increase in assets	**22,539**	39,458
DECREASE IN ASSETS		
Benefits paid	**12,597**	12,294
Administrative expenses	**402**	379
Total decrease in assets	**12,999**	12,673
INCREASE IN NET ASSETS	**9,540**	26,785
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	**250,100**	223,315
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	**259,640**	250,100

See accompanying notes

Newfoundland Power Inc.
Retirement Income Plan
Notes to the Financial Statements
December 31, 2007

1. ORGANIZATION OF RETIREMENT INCOME PLAN

Effective January 1, 1991, a Master Trust agreement was created to establish a Fund to be known as the Newfoundland Power Inc. Master Trust Fund (the "Fund"). The Newfoundland Power Inc. Retirement Income Plan and Fortis Inc. Retirement Income Plan are the participants in the Fund.

Upon the establishment of the Fund, a determination of units of the Fund to be issued to each participant was made based on the fair market value of the assets transferred to the Fund. The amount reported for the accrued plan benefits was determined by actuarial calculations. Net income is computed based on the participant's proportionate share of units held to the total units held by all participants in the Fund. Additional units of the Fund are issued to the participants based on contributions made and net income earned. Participants may redeem all or part of the units held.

These financial statements include the net assets available for benefits and the accrued plan benefits for Newfoundland Power Inc. Retirement Income Plan.

2. DESCRIPTION OF THE PLAN

The following brief description of the retirement income plan of Newfoundland Power Inc. is provided for general information purposes only. For more complete information readers should refer to the text of the plan.

(a) General

The effective date of the plan is April 1, 1984. The plan is a contributory, defined benefit pension plan. The plan covers permanent employees employed with the company up to April 30, 2004. The plan was closed to new entrants as of May 1, 2004.

(b) Retirement benefits

Upon reaching the normal retirement age of 65, employees are entitled to an annual pension equal to 1 1/3% of their best 36 months salary up to the average of the last 36 months consecutive maximum pensionable earnings under the Canada Pension Plan plus 2% of their best 36 consecutive months salary in excess of the average of the last 36 months maximum pensionable earnings for each year of credited service up to a maximum of 35 years.

Early retirement without reduction is possible from age 60 if age plus service totals 95 or more. The retirement benefit is reduced if age and service requirements are not met.

The maximum annual pension is $2,222 per year of service.

2. DESCRIPTION OF THE PLAN (Continued)

(c) Termination benefits

Termination benefits apply to members who terminate continuous service prior to reaching eligibility for early retirement benefits. The primary determinant of termination benefits is the vesting status of the member's plan benefits. Benefits accrued to a member before January 1, 1997 will vest upon completion of 5 years of continuous service, while benefits accrued on or after January 1, 1997 will vest upon completion of 2 years of plan membership.

Upon termination of plan membership, members whose benefits have vested are entitled to the actuarial present value of pension benefits accrued. Members whose benefits have not vested receive lump sum refund of their contributions plus interest. Members with 5 years of continuous service are entitled to the greater of 2 times their required contributions plus interest or the actuarial present value of pension benefits.

(d) Death benefits

The surviving spouse of an employee who dies before or after the employee's retirement shall be entitled to 55% (amendment dated June 2004 – previously 50%) of the accrued retirement income. Any other beneficiary shall receive a refund of the balance of the employee's accumulated contributions, with credited interest, less cumulative pension paid.

(e) Termination

Newfoundland Power Inc. reserves the right to terminate the plan, in whole or in part, on a resolution adopted by the Board of Directors. Any termination of the plan will be in accordance with its terms and provisions and the regulations of the Newfoundland Pension Benefits Act.

(f) Income taxes

This plan is not subject to income taxes, since it is a Registered Pension Trust as defined by the Income Tax Act.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The financial statements present the aggregate financial position without regard to the priority classes set out in the plan terms or prescribed by applicable provincial and federal legislation. Because the financial statements pertain to the plan as a whole, they provide no information about the portion of assets attributable to any individual member or group of members. The statements do not purport to reflect the financial status of the plan if terminated on the valuation date or to reflect the funding requirements of the plan or the pension expense that should be included in the financial statements of the plan sponsor.

(b) Basis of accounting

The accounts are maintained on the accrual basis of accounting. Accordingly, dividend and interest income is accounted for as earned rather than when received and the security transactions are recorded on a trade-date basis.

(c) Investments

Investments are stated at market value based on published market quotations.

(d) Increase in market value of investments

Unrealized gains and losses are included in increase in value of investments.

4. ACTUARIAL PRESENT VALUE OF ACCRUED PLAN BENEFITS

Accrued benefits are those future payments attributable under the plan's provisions of expected future earnings of plan members at their normal retirement dates and services rendered to the valuation date. Accrued benefits include benefits expected to be paid, as outlined in Note 2, to retired or terminated employees or their beneficiaries, beneficiaries of employees who have died and present employees or their beneficiaries.

The actuarial value of plan benefits is the amount that results from applying actuarial assumptions to adjust the plan benefits to reflect the time value of money (through discounts for interest and the probability of payment by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used were:

4. ACTUARIAL PRESENT VALUE OF ACCRUED PLAN BENEFITS (Continued)

- Life expectancy of participants - as listed in the 1994 Group Annuity Reserving Mortality Table.

- Retirement - the average age of retirement is assumed to be the earlier of age 65 and later of age 61 and the age at which age plus service equals 97 for active members, and age 65 for disabled members.

- Discount rate - 6.0% (2006 – 6.0%)

- Salary growth projections - 4.0% per annum (2006 – 4.0%).

- Inflation increase projections - 4.0% per annum (2006 – 4.0%).

An actuarial valuation of the plan was made as of December 31, 2005. Accrued plan benefits as at December 31, 2007 are based on extrapolations by the actuary using the same assumptions.

5. INVESTMENTS

The assets of the plan are held by RBC Dexia, which acts as corporate trustee for the plan.

The investments are presented by units of the Fund. The investments of the Fund are held in the pooled funds of Barclay's Global Investors and are represented as follows:

	2007 $	2006 $
Canadian		
Money market instruments	**1,696**	115,947
Bonds, debentures and notes	**97,834,877**	92,512,745
Equities	**113,930,408**	104,742,319
Real estate	**-**	23,124
Foreign		
Equities	**47,963,494**	52,832,021
	259,730,475	250,226,156

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Financial Statements of Newfoundland Power Inc.
Retirement Income Plan
December 31, 2008

Financial Statements of

Newfoundland Power Inc. Retirement Income Plan

December 31, 2008

AUDITORS' REPORT

To the Board of Directors of
Newfoundland Power Inc.

We have audited the statement of funded status of **Newfoundland Power Inc. Retirement Income Plan** (the "Plan") as at December 31, 2008 and the statements of changes in accrued plan benefits and changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2008 and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

St. John's, Canada,
January 31, 2009.

Chartered Accountants

Newfoundland Power Inc.
Retirement Income Plan
Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 2008
(in thousands)

	2008 $	2007 $
INCREASE IN ASSETS		
Investment income		
Interest and dividends	15,848	16,608
Contributions		
Employee	1,193	1,215
Company – current and past service	5,425	10,904
	6,618	12,119
Decrease in market value of investments for the year	(56,369)	6,188
Net (decrease) increase in assets	(33,903)	22,539
DECREASE IN ASSETS		
Benefits paid	12,057	11,984
Transfers in/out of Pension Plan	869	613
Administrative expenses	291	402
Decrease in assets	13,217	12,999
(DECREASE) INCREASE IN NET ASSETS	(47,120)	9,540
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	259,640	250,100
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	212,520	259,640

See accompanying notes

Newfoundland Power Inc.
Retirement Income Plan
Statement of Accrued Plan Benefits and Net Assets Available for Benefits
Year ended December 31, 2008
(in thousands)

	2008 $	2007 $
ACCRUED PLAN BENEFITS		
Actuarial present value of accrued plan benefits (note 4)	246,680	240,377
NET ASSETS AVAILABLE FOR BENEFITS		
Investments at market value (note 5)	212,599	259,731
Total assets	212,599	259,731
Accounts payable and accrued liabilities	79	91
Net assets available for benefits	212,520	259,640
FUNDED STATUS		
(Deficiency) excess of net assets over actuarial present value of accrued plan benefits	(34,160)	19,263
	246,680	240,377

See accompanying notes

Approved on behalf of the Board:

________________ Director ________________ Director

Newfoundland Power Inc.
Retirement Income Plan
Statement of Changes in Accrued Plan Benefits
Year ended December 31, 2008
(in thousands)

	2008	2007
	$	$
Actuarial present value of accrued plan benefits, beginning of year	240,377	234,330
INCREASE (DECREASE) DURING THE YEAR		
Benefits accumulated	5,040	4,814
Benefits paid	(12,926)	(12,596)
Decrease in the discount period	14,188	13,829
Other	1	-
	6,303	6,047
Actuarial present value of accrued plan benefits, end of year	246,680	240,377

See accompanying notes

Newfoundland Power Inc.
Retirement Income Plan
Notes to the Audited Financial Statements

December 31, 2008

1. ORGANIZATION OF RETIREMENT INCOME PLAN

Effective January 1, 1991, a Master Trust agreement was created to establish a Fund to be known as the Newfoundland Power Inc. Master Trust Fund (the "Fund"). The Newfoundland Power Inc. Retirement Income Plan (the "Plan") and Fortis Inc. Retirement Income Plan are the participants in the Fund.

Upon the establishment of the Fund, a determination of units of the Fund to be issued to each participant was made based on the fair market value of the assets transferred to the Fund. The amount reported for the accrued plan benefits was determined by actuarial calculations. Net income is computed based on the participant's proportionate share of units held to the total units held by all participants in the Fund. Additional units of the Fund are issued to the participants based on contributions made and net income earned. Participants may redeem all or part of the units held.

These financial statements include the net assets available for benefits and the changes in these net assets available for benefits for the Plan.

2. DESCRIPTION OF THE PLAN

The following brief description of the retirement income plan of Newfoundland Power Inc. is provided for general information purposes only. For more complete information readers should refer to the text of the Plan.

(a) General

The effective date of the Plan is April 1, 1984. The plan is a contributory, defined benefit pension plan. The Plan covers permanent employees employed with Newfoundland Power Inc. up to April 30, 2004. The Plan was closed to new entrants as of May 1, 2004.

(b) Retirement benefits

Upon reaching the normal retirement age of 65, employees are entitled to an annual pension equal to 1 1/3% of their best 36 months of salary up to the average of the last 36 months consecutive maximum pensionable earnings under the Canada Pension Plan plus 2% of their best 36 consecutive months salary in excess of the average of the last 36 months maximum pensionable earnings for each year of credited service up to a maximum of 35 years.

2. DESCRIPTION OF THE PLAN (Continued)

Early retirement without reduction is possible from age 60 if age plus service totals 95 or more. The retirement benefit is reduced if age and service requirements are not met.

The maximum annual pension is $2,333 per year of service.

(c) Termination benefits

Termination benefits apply to members who terminate continuous service prior to reaching eligibility for early retirement benefits. The primary determinant of termination benefits is the vesting status of the member's plan benefits. Benefits accrued to a member before January 1, 1997 will vest upon completion of five years of continuous service, while benefits accrued on or after January 1, 1997 will vest upon completion of two years of Plan membership.

Upon termination of Plan membership, members whose benefits have vested are entitled to the actuarial present value of pension benefits accrued. Members whose benefits have not vested receive a lump sum refund of their contributions plus interest. Members with five years of continuous service are entitled to the greater of two times their required contributions plus interest or the actuarial present value of pension benefits.

(d) Death benefits

The surviving spouse of an employee who dies before or after the employee's retirement shall be entitled to 55% (amendment dated June 2004 – previously 50%) of the accrued retirement income. Any other beneficiary shall receive a refund of the balance of the employee's accumulated contributions, with credited interest, less cumulative pension paid.

(e) Termination

Newfoundland Power Inc. reserves the right to terminate the Plan, in whole or in part, on a resolution adopted by the Board of Directors. Any termination of the Plan will be in accordance with its terms and provisions and the regulations of the Newfoundland Pension Benefits Act.

(f) Income taxes

This Plan is not subject to income taxes, since it is a Registered Pension Trust as defined by the Income Tax Act.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The financial statements present the aggregate financial position without regard to the priority classes set out in the Plan terms or prescribed by applicable provincial and federal legislation. Because the financial statements pertain to the Plan as a whole, they provide no information about the portion of assets attributable to any individual member or group of members. The financial statements do not purport to reflect the financial status of the Plan if terminated on the valuation date or to reflect the funding requirements of the Plan or the pension expense that should be included in the financial statements of the Plan sponsor.

The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts of assets and liabilities. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates in future periods could be material.

(b) Basis of accounting

The accounts are maintained on the accrual basis of accounting. Accordingly, dividend and interest income is accounted for as earned rather than when received and the security transactions are recorded on a trade-date basis.

(c) Investments

Investments are stated at market value based on published market quotations.

(d) Increase (decrease) in market value of investments

Unrealized gains and losses are included in increase (decrease) in value of investments.

4. ACTUARIAL VALUE OF ACCRUED PLAN BENEFITS

Accrued benefits are those future payments attributable under the Plan's provisions of expected future earnings of Plan members at their normal retirement dates and services rendered to the valuation date. Accrued benefits include benefits expected to be paid, as outlined in Note 2, to retired or terminated employees or their beneficiaries, beneficiaries of employees who have died and present employees or their beneficiaries.

The actuarial value of Plan benefits is the amount that results from applying actuarial assumptions to adjust the Plan benefits to reflect the time value of money (through discounts for interest and the probability of payment by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used were as follows:

- Life expectancy of participants - as listed in the 1994 Group Annuity Reserving Mortality Table.

- Retirement - the average age of retirement is assumed to be the earlier of age 65 and later of age 61 and the age at which age plus service equals 97 for active members, and age 65 for disabled members.

- Discount rate - 6.0% (2007 – 6.0%).

- Salary growth projections - 4.0% per annum (2007 – 4.0%).

- Inflation increase projections – 2.5% per annum (2007 – 2.5%).

An actuarial valuation of the Plan was made as of December 31, 2005. Accrued plan benefits as at December 31, 2008 are based on extrapolations by the actuary using the same assumptions.

5. INVESTMENTS

The assets of the Plan are held by the RBC Dexia, which acts as corporate trustee for the Plan.

The investments are presented by units of the Fund. The investments of the Fund are held in the pooled funds of Barclay's Global Investors and are represented as follows:

	2008 $	2007 $
Canadian		
Money market instruments	**9,098**	1,696
Bonds, debentures and notes	**102,260,106**	97,834,877
Equities	**66,889,064**	113,930,408
Foreign		
Equities	**43,441,068**	47,963,494
	212,599,336	259,730,475