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Q. (page 50)

a. In planning for its expected $60 million debt issue during August 2007, did the Company and/or its financial advisors anticipate the sharp run up in North American government interest rates that took place beginning in mid-May 2007?

b. If the answer to (a) is essentially “yes,” then why did the Company not move to sell its debt issue sooner in the spring or early summer? Please explain any constraints the Company may have faced (e.g., a congested new issue calendar) that impeded its ability to move forward earlier on its new issue?

c. If the answer to (a) is essentially “no,” then how does the Company expect the recent change in the interest rate environment and outlook to affect its plans for a new debt issue during 2007? Please explain the reasoning behind any shift in the new issue timing that may be contemplated.

d. In general, how does the Company choose between short-term and long-term debt financing to meet that portion of its external financing needs that are to be debt financed?

A. (a) No, the Company and/or its financial advisors did not anticipate the sharp run up in Government of Canada interest rates that took place beginning in mid-May 2007.

(b) Not applicable.

(c) The recent increase in Government of Canada interest rates is not currently expected to affect the Company’s plans for, nor the contemplated timing of, its 2007 debt issue. The level of Newfoundland Power’s short-term borrowings is forecast to increase to a level that will require the Company to complete a long-term debt issue prior to December 2007, subject to the Board’s approval.

(d) Newfoundland Power finances its day-to-day cash flow needs through short-term borrowing facilities. These short-term borrowings are typically in the form of committed credit facilities with major Canadian chartered banks, established lines of credit and Bankers’ Acceptances, and are based on competitive pricing.

When short-term borrowings reach a consistent level at which a long-term debt issue can be undertaken on an economic basis, a bond issue will be considered. The interest rate associated with such a financing will depend on prevailing capital market conditions at the time of issue.

Newfoundland Power's first mortgage sinking fund bond issues completed within the last 15 years have typically had a 30-year term to maturity. A 30- to 40-year term roughly corresponds to the expected life of the capital assets that form the underlying security for these bonds.