Interim Financial Statements
March 31, 2025

WHENEVER. WHEREVER.
We'll be there.

NEWFOUNDLAND POWER
A FORTIS COMPANY

Condensed Statements of Earnings (Unaudited)

For the three months ended March 31

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

	2025	2024
Revenue *(Note 5)*	$ 270,053	$ 262,908
Expenses		
Purchased power	197,162	199,232
Operating expenses	24,421	23,649
Employee future benefits	527	(855)
Depreciation and amortization	21,640	20,782
Cost recovery deferrals, net	125	(60)
Finance charges	10,238	10,425
	254,113	253,173
Earnings Before Income Taxes	15,940	9,735
Income tax expense	3,400	2,040
Net Earnings	12,540	7,695
Net Earnings Applicable to Common Shares	$ 12,540	$ 7,695
Basic and Diluted Earnings per Common Share	$ 1.22	$ 0.75

Condensed Statements of Changes in Shareholder's Equity (Unaudited)

For the three months ended March 31

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

	Common Shares	Contributed Capital	Retained Earnings	Total Equity
As at January 1, 2025	$ 70,321	$ 10,000	$ 563,525	**$ 643,846**
Net earnings	-	-	12,540	**12,540**
Allocation of Part VI.1 tax	-	-	200	**200**
Dividends on common shares *(Note 12)* ($0.00 per share)	-	-	-	-
As at March 31, 2025	$ 70,321	$ 10,000	$ 576,265	**$ 656,586**
As at January 1, 2024	$ 70,321	$ -	$ 512,280	**$ 582,601**
Net earnings	-	-	7,695	**7,695**
Allocation of Part VI.1 tax	-	-	190	**190**
Dividends on common shares *(Note 12)* ($0.00 per share)	-	-	-	**-**
As at March 31, 2024	$ 70,321	$ -	$ 520,165	**$ 590,486**

See accompanying notes to condensed interim financial statements.

Condensed Balance Sheets (Unaudited)

As at

(in thousands of Canadian dollars)

	March 31, 2025	December 31, 2024
Assets		
Current assets		
Accounts receivable *(Note 6)*	$ 109,459	$ 83,254
Income taxes receivable	2,858	-
Materials and supplies	3,729	3,577
Prepaid expenses	3,243	4,655
Regulatory assets *(Note 7)*	25,923	50,619
	145,212	142,105
Property, plant and equipment (net)	1,468,197	1,456,079
Intangible assets (net)	66,575	67,309
Defined benefit pension plans	70,071	67,826
Regulatory assets *(Note 7)*	404,657	373,945
Other assets	1,207	1,216
	$ 2,155,919	$ 2,108,480
Liabilities and Shareholder's Equity		
Current liabilities		
Short-term borrowings	$ 3,271	$ 4,277
Accounts payable and accrued charges	106,075	113,340
Interest payable	11,463	8,509
Income taxes payable	-	4,814
Defined benefit pension plans	301	293
Other post-employment benefits	2,888	2,821
Regulatory liabilities *(Note 7)*	2,061	3,592
Current instalments of long-term debt	102,450	65,450
	228,509	203,096
Regulatory liabilities *(Note 7)*	266,290	264,795
Defined benefit pension plans	5,247	5,207
Other post-employment benefits	43,041	43,263
Other liabilities	881	913
Deferred income taxes	227,628	219,670
Long-term debt	727,737	727,690
	1,499,333	1,464,634
Shareholder's equity		
Common shares, no par value, unlimited authorized shares, 10.3 million shares issued and outstanding *(Note 12)*	70,321	70,321
Contributed capital	10,000	10,000
Retained earnings	576,265	563,525
	656,586	643,846
	$ 2,155,919	$ 2,108,480

See accompanying notes to condensed interim financial statements.

Condensed Statements of Cash Flows (Unaudited)

For the three months ended March 31

(in thousands of Canadian dollars)

	2025	2024
Operating Activities		
Net earnings	$ 12,540	$ 7,695
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation of property, plant and equipment	20,004	19,177
Amortization of intangible assets and other	1,696	1,661
Change in long-term regulatory assets and liabilities	(8,700)	(6,904)
Deferred income taxes	3,704	(5,613)
Employee future benefits	(1,185)	(2,315)
Other	21	122
Change in working capital	(27,471)	(35,358)
	609	(21,535)
Investing Activities		
Capital expenditures	(36,268)	(28,261)
Intangible asset expenditures	(902)	(1,299)
Contributions from customers	567	1,176
	(36,603)	(28,384)
Financing Activities		
Change in short-term borrowings	(1,006)	-
Net borrowings under committed credit facility	37,000	19,000
Net borrowings from related parties	-	30,000
	35,994	49,000
Change in Cash	-	(919)
Cash, Beginning of Period	-	3,126
Cash, End of Period	$ -	$ 2,207
Cash Flows Include the Following:		
Interest paid	$ 7,425	$ 7,387
Income taxes paid	$ 7,142	$ 3,001

See accompanying notes to condensed interim financial statements.

Notes to Condensed Interim Financial Statements (Unaudited)
For the Three Months Ended March 31, 2025 and 2024 (unless otherwise noted)

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

1. Description of the Business

Newfoundland Power Inc. (the "Company" or "Newfoundland Power") is a regulated electricity utility that operates an integrated generation, transmission and distribution system throughout the island portion of Newfoundland and Labrador. The Company serves approximately 278,000 customers comprising approximately 87% of all electricity consumers in the Province. All of the common shares of the Company are owned by Fortis Inc. ("Fortis"). Newfoundland Power has an installed generating capacity of 145 megawatts ("MW"), of which approximately 98 MW is hydroelectric generation. It generates approximately 7% of its energy needs and purchases the remainder from Newfoundland and Labrador Hydro ("Hydro").

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

The determination of the forecast return on rate base, together with the forecast of all reasonable and prudent costs, establishes the revenue requirement upon which the Company's customer rates are determined through a general rate hearing. Rates include generation, transmission and distribution services.

Newfoundland Power maintains a capital structure comprised of approximately 55% debt and 45% common equity.

On January 16, 2025, the PUB issued orders approving the Company's and Hydro's applications to establish a new wholesale rate effective January 1, 2025. The order approved: (i) flowing through the impacts of the revised wholesale rate on the Company's 2025 and 2026 test year revenue requirements as part of its 2025/2026 General Rate Application (the "2025/2026 GRA"); and (ii) rebasing power supply costs into base rate test year revenue requirements.

On January 16, 2025, the PUB also issued an order on the Company's 2025/2026 GRA which established the Company's cost of capital for ratemaking purposes for 2025 through 2027 based upon an 8.6% return on equity and 45% common equity. The PUB directed the Company to file a compliance application reflecting the settlement agreements reached in relation to the 2025/2026 GRA, the 2025/2026 GRA order and other applicable orders, including the flow-through of impacts associated with the revised wholesale rate from Hydro and the annual July 1st rate stabilization adjustment. The Company is required to file its next general rate application on or before June 1, 2027.

On April 17, 2025, Newfoundland Power filed its compliance application as directed by the PUB. The application proposes an overall average increase in customer rates effective July 1, 2025 of approximately 7.0%. This is comprised of: (i) 8.5% resulting from the Company's 2025/2026 GRA, including a 4.0% increase associated with the rebasing of supply costs; (ii) 2.3% resulting from Hydro's wholesale rate adjustments; and (iii) a decrease of 3.8% largely resulting from a reduction in Newfoundland Power's rate stabilization adjustment. The compliance application proposes that the unrecovered balance in the Company's Rate Stabilization Account ("RSA") be maintained in the account for future recovery in customer rates. The application is currently under review by the PUB.

2. Basis of Presentation

These condensed interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial statements and do not include all of the disclosures provided in the annual audited financial statements. These condensed interim financial statements should be read in conjunction with the Company's 2024 annual audited financial statements.

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. There were no material changes to the Company's significant accounting estimates during the three months ended March 31, 2025. The accounting policies and methods of their application followed in the preparation of these condensed interim financial statements are the same as those followed in the preparation of the Company's 2024 annual audited financial statements.

3. Changes in Accounting Policies

Future Accounting Pronouncements

The Company considers the applicability and impact of all accounting standards updates ("ASUs") issued by the Financial Accounting Standards Board ("FASB"). The following update has been issued by the FASB, but has not yet been adopted by Newfoundland Power. Any ASUs not included below were assessed and determined to be either not applicable to the Company or are not expected to have a material impact on the financial statements.

Income Statement Expenses

ASU No. 2024-03, *Disaggregation of Income Statement Expenses*, issued in November 2024, is effective for Newfoundland Power on January 1, 2027 for annual periods and on January 1, 2028 for interim periods, on a prospective basis, with retrospective application and early adoption permitted. The ASU requires disclosure of specified information about certain costs and expenses. ASU No. 2025-01, *Clarifying the Effective Date*, issued in January 2025, clarified the effective date of ASU No. 2024-03. Newfoundland Power is assessing the impact that the adoption of these updates will have on its financial statements and related disclosures.

4. Seasonality

Sales and Revenue: Quarterly sales and revenue are impacted by the seasonality of electricity sales for heating. As a result, sales and revenue are higher in the first quarter and lower in the third quarter compared to the remaining quarters. Quarterly revenue may also be impacted by regulatory deferrals and amortizations, as approved by the PUB.

Earnings: In addition to the seasonality of electricity consumption for heating, quarterly earnings are impacted by the purchased power rate structure. Effective January 1, 2025, a new purchased power rate structure was in place for the Company. The Company pays more, on average, for each kilowatt hour ("kWh") of purchased power in the winter months and less, on average, for each kWh of purchased power in the summer months. In general, the Company's sales, revenue and cost dynamics are such that earnings are lower in the first quarter than in the remaining quarters in the year. However, the implementation of the 2025/2026 GRA and related revenue shortfall will change the timing of quarterly earnings in 2025.

5. Revenue

The composition of the Company's revenue follows.

	Three Months Ended March 31	
	2025	**2024**
Electricity revenue		
Residential	$ 166,372	$ 167,065
Commercial	76,351	76,875
Street lighting	4,083	4,094
Regulatory deferrals and amortizations	18,550	10,637
	265,356	258,671
Other contract revenue	2,640	2,675
Other revenue	2,057	1,562
Total revenue	$ 270,053	$ 262,908

Electricity revenue
Electricity revenue includes revenue from the delivery of electricity to residential and commercial customers and the provision of street lighting service to municipalities.

Other contract revenue
Other contract revenue is primarily the result of other contracts with customers including: (i) revenue from telecommunication companies for pole attachments and other pole-related services; (ii) wheeling revenue from Hydro for transmitting electricity to its customers using Newfoundland Power's electrical system; and (iii) revenue from customers for services other than those directly related to delivery of electricity service.

Other revenue
Other revenue includes interest revenue, the equity portion of allowance for funds used during construction and other miscellaneous amounts.

6. Accounts Receivable

The composition of the Company's accounts receivable follows.

	March 31, 2025	December 31, 2024
Trade accounts receivable	$ 90,181	$ 56,608
Unbilled accounts receivable	21,897	29,984
Other	1,966	706
Allowance for credit losses	(4,585)	(4,044)
	$ 109,459	$ 83,254

Accounts receivable is recorded net of an allowance for credit losses. The change in the allowance for credit losses balance from December 31, 2024 and December 31, 2023 follows.

	Three Months Ended March 31	
	2025	2024
Balance, beginning of period	$ (4,044)	$ (3,876)
Credit loss expense	(692)	(523)
Write-offs	359	626
Recoveries	(208)	(315)
Balance, end of period	$ (4,585)	$ (4,088)

7. Regulatory Assets and Liabilities

Regulatory assets and liabilities arise as a result of the rate-setting process. Regulatory assets represent future revenues associated with certain costs incurred in the current or prior periods that will be, or are expected to be, recovered from customers in future periods through the rate-setting process. Regulatory liabilities represent future reductions or limitations of increases in revenues associated with amounts that will be, or are expected to be, credited to customers through the rate-setting process. The regulatory assets and liabilities, and their eventual settlement through the rate-setting process, are prescribed by the PUB and impact the Company's cash flows. The Company's regulatory assets and liabilities which will be, or are expected to be, reflected in customer rates in future periods, follow.

	March 31, 2025	December 31, 2024	Remaining Recovery Period (Years)
Regulatory assets			
RSA[1]	$ 70,375	$ 79,787	Various
Other post-employment benefits ("OPEB")	2,628	3,504	1
Conservation and demand management deferral	26,418	30,398	10
Employee future benefits	38,597	40,455	Benefit payment period
Deferred hearing costs	1,000	1,248	3
2025 revenue shortfall[2]	18,494	-	3
Electrification deferral	2,368	2,503	10
Load research and rate design cost deferral	965	908	N/A
Pension capitalization deferral	1,586	1,711	3
OPEB expense variance deferral account	2,053	-	1
Demand management incentive ("DMI")	-	2,208	N/A
Deferred income taxes	266,096	261,842	Life of related assets
Total regulatory assets	$ 430,580	$ 424,564	
Less: current portion	(25,923)	(50,619)	
Long-term regulatory assets	$ 404,657	$ 373,945	

[1] As part of the Company's compliance application, Newfoundland Power is proposing that the unrecovered balance in the RSA be maintained in the account for the future recovery in customer rates (Note 1). The application is under review by the PUB.

[2] As approved in the 2025/2026 GRA order, the Company recorded a $18.5 million revenue shortfall in the first quarter of 2025. The revenue shortfall will be amortized over a 30-month period from July 1, 2025 to December 31, 2027.

7. Regulatory Assets and Liabilities (cont'd)

	March 31, 2025	December 31, 2024	Remaining Settlement Period (Years)
Regulatory liabilities			
Weather normalization account	$ 487	$ 4,137	2
Energy supply cost variance	686	-	2
Pension expense variance deferral account	149	-	1
Employee future benefits	43,243	43,728	Benefit payment period
Future removal and site restoration provision	223,786	220,522	Life of related assets
Total regulatory liabilities	$ 268,351	$ 268,387	
Less: current portion	(2,061)	(3,592)	
Long-term regulatory liabilities	$ 266,290	$ 264,795	

8. Long-Term Debt

	March 31, 2025	December 31, 2024
First mortgage sinking fund bonds	$ 739,085	$ 739,085
Committed credit facility	94,000	57,000
	833,085	796,085
Less: current portion	(102,450)	(65,450)
	$ 730,635	$ 730,635
Less: deferred financing costs	(2,898)	(2,945)
	$ 727,737	$ 727,690

First mortgage sinking fund bonds are secured by a first fixed and specific charge on property, plant and equipment owned or to be acquired by the Company and by a floating charge on all other assets. The bonds require an annual sinking fund payment of 1% of the original principal balance.

Newfoundland Power has unsecured bank credit facilities of $150 million composed of a $130 million committed credit facility and a $20 million demand facility. The committed facility matures in August 2029. Subject to lenders' approval, the Company may request an extension for a further period of up to, but not exceeding, five years.

Borrowings under the committed credit facility are in the form of Canadian Overnight Repo Rate Average ("CORRA") loans that primarily have a maturity of 30 days or less, bearing interest based on the Term CORRA Reference Rate for the days preceding the date of borrowing plus a stamping fee. Standby fees on the unutilized portion of the committed credit facility are payable quarterly in arrears at a fixed rate of 0.16%. Interest on borrowings under the demand facility is calculated at the daily prime rate and is payable monthly in arrears.

The utilized and unutilized credit facilities as at March 31, 2025 and December 31, 2024 follow.

	March 31, 2025	December 31, 2024
Total credit facilities	$ 150,000	$ 150,000
Borrowings under committed credit facility	(94,000)	(57,000)
Borrowings under demand facility	(3,271)	(4,277)
Credit facilities available	$ 52,729	$ 88,723

9. Fair Value Measurement

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

The fair value of long-term debt, including current portion and committed credit facility, is classified as Level 2 based on the three-level hierarchy utilized in measuring fair value. The fair value is calculated by discounting the future cash flows of each debt instrument at the estimated yield-to-maturity equivalent to benchmark government bonds, with similar terms to maturity, plus a credit risk premium equal to that of issuers of similar credit quality. Since the Company does not intend to settle its debt instruments before maturity, the fair value estimate does not represent an actual liability and, therefore, does not include settlement costs.

The fair value of long-term debt, including current portion and committed credit facility, as at March 31, 2025 and December 31, 2024 is as follows.

	March 31, 2025		December 31, 2024	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-Term Debt, including Current Portion and Committed Credit Facility *(Note 8)*	$ 833,085	$ 882,415	$ 796,085	$ 848,033

As at March 31, 2025, the fair value of the Company's funded defined benefit pension plan assets was $401.3 million compared to $400.9 million as at December 31, 2024. The fair value measurements for all of the pension plan assets, as held in various pooled funds, are classified as Level 2.

The fair value of the Company's remaining financial instruments included in current assets, current liabilities, other assets and other liabilities approximate their carrying value, reflecting their nature, short-term maturity or normal trade credit terms. The fair value of the Company's financial instruments reflects a point-in-time estimate based on current and relevant market information about the instruments as at the balance sheet date. The estimates cannot be determined with precision as they involve uncertainties and matter of judgment, and therefore, may not be relevant in predicting the Company's future earnings or cash flows.

10. Employee Future Benefits

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

	Three Months Ended March 31			
	2025		2024	
	Defined Benefit Pension Plans	OPEB Plan	Defined Benefit Pension Plans	OPEB Plan
Service costs	$ 336	$ 310	$ 449	$ 306
Interest costs	3,854	525	3,860	519
Expected return on plan assets	(5,177)	-	(5,819)	-
Amortization of net actuarial loss (gain)	726	(484)	-	(497)
	$ (261)	$ 351	$ (1,510)	$ 328
Regulatory adjustments				
Amortization of pension deferrals	206	-	206	-
Amortization of OPEB regulatory asset	-	876	-	876
Net benefit costs	$ (55)	$ 1,227	$ (1,304)	$ 1,204

For the three months ended March 31, 2025, the Company expensed $0.9 million (2024 - $0.8 million) related to its defined contribution pension plans.

11. Related Party Transactions

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

Related party transactions included in operating expenses for the three months ended March 31, 2025 were $0.5 million (2024 - $0.6 million).

There were no related-party borrowings from, or finance charges paid to, Fortis in the first quarter of 2025.

12. Capital Stock and Dividends

During the first quarter of 2025 and 2024, the weighted average number of common shares outstanding was 10,320,270. The Company did not declare or pay common share dividends during the first quarter of 2025 and 2024.