



NEWFOUNDLAND
LIGHT & POWER CO.

LIMITED

1980
ANNUAL REPORT

Directors

AARON BAILEY*†	Port Union, Newfoundland
A. D. CAMERON†	Montreal, Quebec
H. COLLINGWOOD*	St. John's, Newfoundland
J. B. FOOTE	Grand Bank, Newfoundland
A. S. GORDON	Montreal, Quebec
D. C. HUNT, Q.C.†	St. John's, Newfoundland
A. E. O'REILLY	Montreal, Quebec
G. R. PARSONS*†	Regina, Saskatchewan
E. A. PRATT	St. John's, Newfoundland
J. E. RORKE	Carbonear, Newfoundland
G.N.C. RIVINGTON	Montreal, Quebec
H.R. STEELE	Gander, Newfoundland
D. S. TEMPLETON†	St. John's, Newfoundland
C. K. WELLS, Q.C.	Corner Brook, Newfoundland
M. M. WILLIAMS	Calgary, Alberta

† Executive Committee

* Audit Committee

Officers

AARON BAILEY	Chairman of the Board
A. D. CAMERON	President
D. S. TEMPLETON	Vice-President and General Manager
A. F. RYAN	Assistant General Manager
G. J. ADAMS	Director of Finance
K. S. WARR	Treasurer
R. F. GOSINE	Secretary
H. B. CURTIS	Assistant Secretary-Treasurer

Head Office

Kenmount Road, St. John's, Newfoundland

Transfer Agent and Registrar

MONTREAL TRUST COMPANY

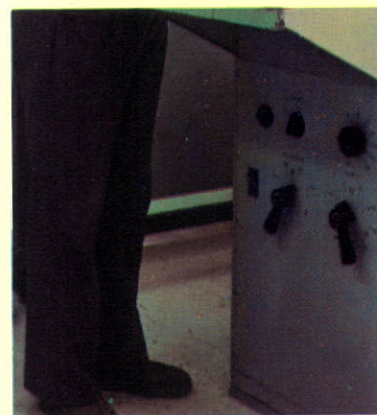
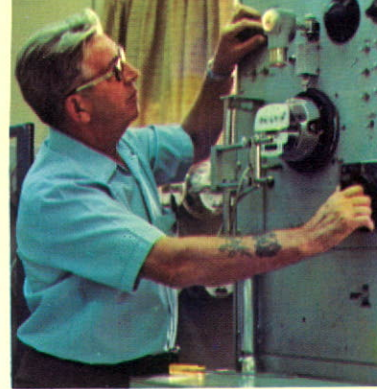
St. John's, Halifax, Montreal, Toronto, Calgary, and Vancouver

Financial Highlights 1980

	1980	1979
Operating revenue	\$ 122,826,147	108,204,023
Operating expenses	\$ 78,738,652	69,759,705
Income and other taxes	\$ 12,667,772	9,628,034
Net income	\$ 12,697,090	11,859,773
Earnings per common share	\$ 2.60	2.51
Dividends paid per common share	\$ 1.40	1.30
Capital expenditures	\$ 23,170,996	20,527,795
Gross fixed assets	\$ 294,949,432	272,584,608
Number of customers	156,469	152,865
Sales in kilowatt-hours (millions)	2,848	2,690
Number of common shareholders	5,345	5,409

QUARTERLY SHARE STATISTICS

	March	June	Sept.	Dec.
Earnings per share	\$ 0.77	0.85	0.40	0.58
Dividends paid	\$ 0.35	0.35	0.35	0.35
Share price - High	\$ 22	23 $\frac{1}{2}$	26 $\frac{1}{2}$	24 $\frac{1}{2}$
Low	\$ 17 $\frac{1}{4}$	17 $\frac{1}{4}$	21	22 $\frac{1}{4}$



Report to Shareholders

The year 1980 saw an increase in the Company's sales. Increases in the cost of purchased power, other expenses, and the cost of capital resulted in applications to the Board of Commissioners of Public Utilities for increased rates. As a result the Company's earnings showed a small increase over those for the previous year.

Certain sectors of the provincial economy did well during the year. Total investment increased by approximately 15.1% to nearly \$1.6 billion. About 10,000 jobs were created during the year, resulting in a drop in the unemployment rate from 15.4% to 13.5%. Total housing starts rose about 28.3% to 3,848. However, production cuts and layoffs in the iron ore industry, weak prices for fish products, and lost production due to labour disputes in the fishing and construction industries outweighed the strengths and as a result the Province's Gross Domestic Product declined by approximately 5% in real terms on 1980.

Offshore oil and gas exploration resulted in an investment of \$220 million in 1980, and it is estimated that increased drilling activity in 1981 will involve capital expenditures of about \$300 million. The Hibernia P-15 oil well together with two delineation wells give every indication that this will be a very successful oil discovery. However, the complexity of the Hibernia geological structure and the uncertainties introduced by ownership disputes over offshore minerals and the national energy policy indicate that the offshore exploration programme in 1981 will proceed cautiously.

Production in the mining industry, valued at \$1,083 million, was 3.7% below that of 1979 mainly because of reduced demand resulting from

the recession in the United States as well as weaknesses in other industrialized countries. The overall value of production in 1981 is not expected to equal that of 1980.

Strikes, lockouts and a drop in the demand for squid resulted in a decline in fish landings of 14% to 490,000 metric tons. The landed value of the catch was the same at \$157 million, and the value of processed fish products dropped to \$400 million. The 1981 forecast is for an increase in landings to 575,000 metric tons valued at approximately \$200 million. Prices are expected to stabilize and possibly increase if economic conditions improve in the United States.

The Province's two major pulp and paper mills produced at near capacity in 1980, and the total value of newsprint is estimated at \$287 million. With the opening of the new newsprint mill at Stephenville, an increase of 18% in total production of newsprint is forecast for 1981. The total value of newsprint is projected to be approximately \$340 million in 1981.

During 1980 Newfoundland and Labrador Hydro completed the 75 MW Hinds Lake hydroelectric generating plant at a cost of \$85 million. Newfoundland Hydro also has underway the 84 MW Upper Salmon hydroelectric generating plant estimated to cost \$155 million and projected to be in operation by early 1983. The outlook for hydro development, apart from a few projects on the Island of Newfoundland, hinges on the development of the Lower Churchill River. The Gull Island project has a total projected cost of \$4.3 billion and would have a capacity of 1,700 MW. The inception of this major project is dependent upon the outcome of negotiations between Newfound-

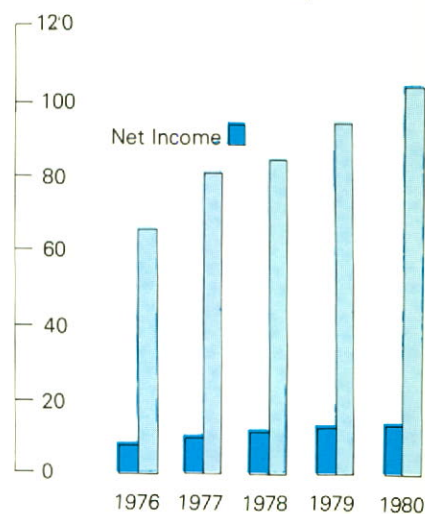
land, the Province of Quebec and the Federal Government.

The Company's gross revenue increased 13.5% over 1979, while operating expenses were up 12.9%. Earnings per common share increased from \$2.51 to \$2.60. Taxable dividends totalling \$1.40 were declared on the Class A common shares. Equivalent dividends were declared on the Class B common shares. Commencing with the dividend payable September 1, dividends on this class of shares have been paid in the form of stock dividends. At the same time the Company revised the Dividend Reinvestment Plan such that shares are purchased at 95% of the average price on the Toronto Stock Exchange. Stock dividends are also determined at 95% of the same average price.

The growth of earnings on the common shares has been accompanied by an increase in the common shareholders' investment in the Company's electrical system. Approximately half of the earnings on the common shares is reinvested.

SHAREHOLDERS INVESTMENT

(Millions of Dollars)



Capital expenditures were \$23.2 million compared with \$20.5 million in 1979 and are expected to be \$33.3 million in 1981. The expansion and reinforcement of the Company's distribution system accounted for some \$15 million, the greater part of the Company's 1980 capital expenditures. The Company is continuing to evaluate possible extensions and re-development of its hydroelectric generating plants in the light of the increasing cost of energy. Engineering design and purchasing has commenced for a System Control Centre for the eastern part of the Company's system.

The growth of the Company's sales in 1980 was 5.9% over that of 1979. A portion of this growth is due to abnormal weather conditions, and the forecast growth of 4.7% for 1981 is expected to be closer to the long-term average anticipated.

On February 6, 1981 the Federal Government announced that it was withdrawing the portion of bill C-24 which would have amended the Public Utilities Income Tax Transfer Act to reduce the amount of public utility income tax returned to the provinces from 95% to 50%. It is understood the matter may be brought up again before April 1, 1982 when the present fiscal arrangements expire. The Company along with other investor owned electric and gas utilities and the provinces in which they are located have made strong representations to the Government in this matter and will continue to do so.

After public hearings in 1979 the Board recommended, and the Government approved, increases in the rate at which Newfoundland and Labrador Hydro sells power to the Company. The Board also gave approval for concurrent increases in the Company's rates to reflect these changes in the cost of power purchased. After public hearings in September and October, the Board confirmed the 3.2% interim rate increase of September and approved



Modern utility service requires a large fleet of specialized vehicles.

a new schedule increasing rates by about 5% over the levels in effect prior to September. The Board also determined that for 1981 a just and reasonable rate of return on average rate base is between 11.25% and 11.50%, and on average common equity in the range of 14.5% and 15.25%, and approved deferred tax allocation on all assets as from January 1, 1981.

At the Annual Meeting of the Company on May 7, 1980, Mr. G. N. C. Rivington, Group Vice-President, Montreal Engineering Company, Limited, was elected a Director of the Company. Mr. H. R. Steele, President, Eastern Provincial Airways, was appointed a Director of the Company at the Directors' meeting held on May 7, 1980.

On April 30, 1980 Mr. J. B. O'Keefe retired as Secretary, an office he had held with the Company or its predecessor for 28 years. Mr. O'Keefe's total service exceeded 50 years and his knowledge and experience will be missed.

Your Directors are pleased to announce a number of senior appointments. Mr. R. F. Gosine has been appointed Secretary, Mr. A. F. Ryan has been appointed Assistant General Manager, Mr. G. J. Adams has been appointed Director of Fi-

nance, and Mr. K. S. Warr has been appointed Treasurer.

The Company signed a three and one-half year Collective Agreement with Local Union No. 1620 I.B.E.W. on February 8, 1980.

In November, the dedication to duty and the cooperation shown in the restoration of service to our customers by the Company's employees following a severe wind and sleet storm was the cause of much favourable public comment. Our employees are a resourceful and responsible group of men and women and to them your Directors wish to express their thanks.

Submitted on behalf of the Board.

A. Bailey,
Chairman of the Board

A. D. Cameron,
President

Operations Report

Customer Services and Distribution

In 1980 the quantity of electricity sold was 2,848 million kilowatt-hours, 5.9% more than in 1979. Of this, 1,471 kilowatt-hours (51.7%) was used by electric heat and all-electric customers. If the 1979 and 1980 sales are normalized for temperature, growth of total sales would have been 1.6%.

Several factors contributed to the moderate load growth experienced during the year. Most of the Company's customers, in particular those who use electricity for heating, are applying conservation measures because of the rising costs of electricity and in response to the incentives offered by the Federal and Provincial Governments. In addition, a series of prolonged strikes in the fishing industry resulted in reduced sales to a large number of general service customers.

A total of 156,469 customers were served at year-end, an increase of 3,604 or 2.4% over 1980. Most of this growth occurred in the domestic all-electric category, since about 60% of all new housing units are electrically heated, and in the all-electric general service category. In cooperation with the Provincial Government, 417 customers who were previously supplied from diesel units owned and operated by the Government were connected to the Company's system. Housing starts in 1980 increased by 28.3% over 1979 and this should result in a higher customer growth in 1981. The average annual usage of domestic customers has been declining in recent years but, for other than all-electric customers, this trend now appears to be levelling off. A further decline in average use, although at a lower rate, is forecast for domestic all-electric customers.

The Company continues to encourage its customers in the wise, efficient and safe use of electricity and the conservation of energy. It has distributed over 2 million pieces of literature on these subjects over the past five years and has participated actively with government in other programmes. During the year a film on electrical safety was shown to some 35,000 children in 160 schools throughout our service area.

A revised and enlarged pole rental agreement with Terra Nova Telecommunications Inc. was approved by the Board of Commissioners of Public Utilities. This should result in substantially higher payment by that utility for the use of our poles. A pole rental agreement was signed with Community Cable Limited, which operates in the Harbour Grace area.

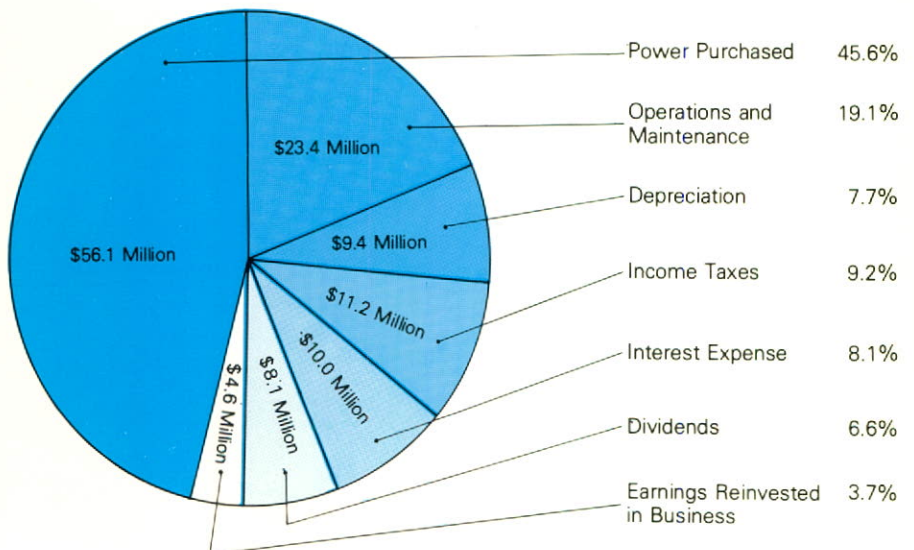
Power Supply

Energy produced and purchased during 1980 totalled 3,059 million kilowatt-hours. Of this 15.1% was supplied by the Company's plants, 82.4% by Newfoundland and Labrador Hydro and 2.5% by Bowater Power Company Limited. The year was abnormally wet and the production from the Company's hydro plants was at a record high, being 453 million kilowatt-hours compared to 375 million in a normal year.

In December, Newfoundland Hydro commissioned a 75 MW hydro plant at Hinds Lake. Of Hydro's total production during the year, 64% was from hydro sources and the remainder was from thermal units, mainly the oil-fired steam plant at Holyrood. All the energy supplied by Bowater Power Company Limited

DISTRIBUTION OF REVENUE

(1980)



was from hydro production. Energy supplied from Bowaters is declining and will be replaced by energy supplied by Newfoundland Hydro as Bowaters supplies more of its energy to its paper mill. It is anticipated that if 1981 is a normal precipitation year an increasing proportion of total energy will be supplied from thermal sources.

Capital

The moderate load growth experienced by the Company in 1979 and 1980 allowed us to contain our expenditures on capital projects to \$23.2 million in 1980 bringing the total investment in plant after retirements to \$295 million at the end of the year. Because of the rising cost of energy the Company carried out a study of the efficiency of its twenty one hydroelectric plants and a five year programme of upgrading and replacement was commenced in 1980. This work, along with other expenditures in the Production Department totalled \$1 million for the year and projects requiring \$2.8 million in 1981 were initiated. Ten miles of 138 kV transmission line was constructed between Blaketown and New Harbour and fifty miles of right-of-way was cleared for a 138 kV line from Gander to Bishop Falls. The distribution system was improved by the addition of new substations at New Harbour, Trinity Bay and Dunville, Placentia Bay.

Additional substation projects included the installation of step-down transformer capacity and four 69 kV sulphur hexafluoride insulated circuit breakers, the first such breakers on the Company's system. Total expenditures for transmission and substations were \$4.1 million in 1980 and are forecast to be \$8 million in 1981. A System Control Centre is being planned for the eastern portion of the Company's electrical system. The Centre will include electronic equipment for supervisory control and data acquisition and expenditures for en-



The Company serves its customers from offices strategically located throughout the service area.

gineering and procurement were made in 1980. Extending and upgrading the distribution system to improve service to existing customers and to connect new customers required \$15 million, approximately 65% of the total capital budget. Two floors were added to the St. John's building on Kenmount Road, allowing the centralization of head office staff. Approval has been obtained from the Public Utilities Board for 1981 capital expenditures totalling \$33.3 million.

Staff

The Company's Collective Agreement with Local Union No. 1620, I.B.E.W., which was signed on February 8, 1980, covers operations and trades and extends to September 30, 1983. On January 28 the Labour Relations Board advised that the same Union was seeking certification of the office employees.

The number of regular employees has remained at a constant level since 1976 and was 1026 at December 31, 1980. More than 450 employees took advantage of internal and external training programmes to improve their skills during the year. A two day management seminar was also held, attended by 90 senior employees.

The Company received the safety award of the Canadian Electrical Association for the third successive year for 1979.

Financial Review

Operating revenues in 1980 increased by 13.5% to a total of \$122.8 million. About 4.7% of this gain is from increased energy sales. Operating expenses of \$78.7 million showed an increase of 12.9% with the largest component, power purchased, growing by 15.1% to \$56.1 million. Salaries and wages charged to expenses were \$14.4 million, an increase of 4.8%. Interest and amortization costs rose 2.4% while depreciation expenses on fixed assets showed an increase of 9.6%. Income tax of \$11.2 million was provided which is an increase of 34.5% over 1979. Partial deferred tax allocation during the year accounted for 4.2% of the taxes provided, however as from January 1, 1981 the Company will be permitted the use of full tax normalization.

After preferred dividends earnings of \$10,074,799 or \$2.60 per share were applicable on an average of 3,873,418 common shares. Comparable results for 1979 were \$9,643,686 in earnings and \$2.51 per share. In 1980 dividends of \$1.40 per share were declared. The balance of \$1.20 per share was reinvested in the business.

Capital expenditures in 1980 amounted to \$23.2 million of which about 65% was internally generated. The balance came from the issue of new securities and an increase in bank loans. In April \$5 million of 9½% Series H First Preference Shares were sold privately

	Number of Participants	Common Shareholders (%)	Investment
1976			
Dividend Reinvestment	280	6.1	\$ 51,000
1977			
Dividend Reinvestment	402	7.1	137,100
1978			
Dividend Reinvestment	738	13.8	272,800
Employee Shares	148	—	60,100
1979			
Dividend Reinvestment	902	16.8	385,300
Employee Shares	152	—	82,000
1980			
Dividend Reinvestment	925	17.5	442,400
Stock Dividend	73	—	95,700
Employee Shares	148	—	80,600

Participation in the Dividend Reinvestment and Employee Share Purchase Plans and the Stock Dividend Programme is a significant source of new common equity.

to a group of institutional investors. Toward year end the private placement of \$7 million 14¼% Series X First Mortgage Bonds for delivery in mid January, 1981 was negotiated.

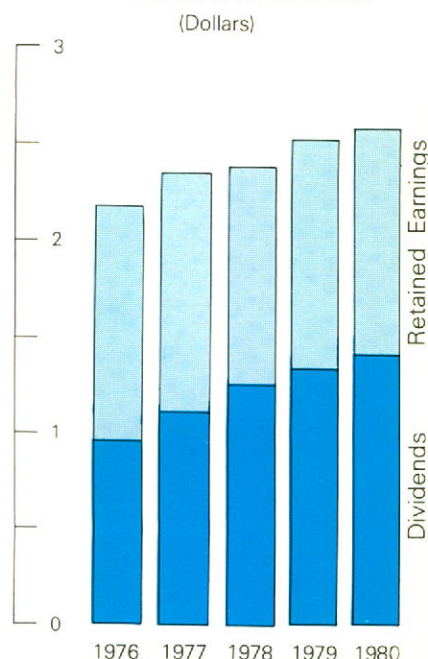
The maintenance of a strengthened capital structure together with the favourable regulatory decision on full tax normalization and improved interest coverage has enhanced the credit standing of the Company. This is confirmed by the fact that both Canada's bond rating agencies now give the Company's senior securities an "A" classification.

There has been considerable debate on acceptable means of disclosing the effects of inflation on corporate financial results and until standards are adopted companies are encouraged to experiment with various forms of disclosure. The table below compares the original

cost of fixed assets and accumulated depreciation and the inflation adjusted current cost. The assets were revalued by applying suitable indices to various types of property classified by year of installation. The current cost depreciation is based on a depreciation study of the Company's property. These numbers were prepared internally without review by the Auditors and are presented for the information of the reader.

COMPARATIVE PROPERTY ACCOUNT (thousands of dollars)				
	1980		1979	
	Original Cost	Adjusted Current Cost	Original Cost	Adjusted Current Cost
Fixed Assets	\$294,950	\$662,689	\$272,585	\$575,242
Accumulated Depreciation	68,943	222,507	61,513	186,884
	<u>\$226,007</u>	<u>\$440,182</u>	<u>\$211,072</u>	<u>\$388,358</u>

EARNINGS PER SHARE



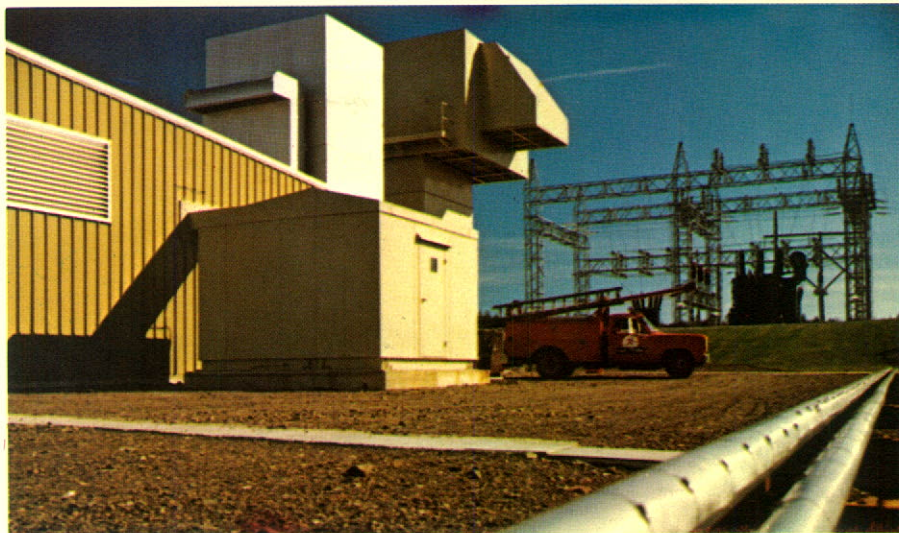
Regulation

The Company is regulated by The Board of Commissioners of Public Utilities of Newfoundland under the provisions of The Public Utilities Act of 1970 and The Electrical Power Control Act of 1977. The Board has jurisdiction, among other things, over rates, capital expenditures and the issue of securities. Decisions of the Board are final except upon questions of jurisdiction or of law for which leave to appeal to the Supreme Court of Newfoundland may be obtained.

The Company purchases more than 80% of its power requirements from Newfoundland and Labrador Hydro. Hydro's rates to the Company are regulated under the provisions of The Electrical Power Control Act with the initial public hearings into rates taking place late in 1977 and early in 1978.

In July 1979 Hydro referred to the Board a proposal to increase the basic rates at which it sells electricity to the Company from 15.27 to 18.62 mills per kilowatt-hour on October 15, 1979 and 21.34 mills per kilowatt-hour on April 1, 1980. The Company participated in the public hearings which were completed in December 1979 and also applied to the Board for a rate increase sufficient to pass through its increased costs of purchased power. During the course of the hearings Hydro received approval for an interim increase in the rates charged to the Company from 15.27 to 18.0 mills per kilowatt-hour effective October 17, 1979. The Board approved an interim increase of 8% in the Company's rates with effect from the same date which was sufficient to offset the increased costs.

On February 28, 1980 the Board issued its report recommending confirmation of the interim rate of 18.0 mills per kilowatt-hour and a further



Stand-by generation facilities improve reliability of service and help meet system peaks.

increase to 20.7 mills per kilowatt-hour effective April 1, 1980, and these recommendations were approved by the Government. The Board then gave final approval for a concurrent increase in the Company's rates to reflect the increase in power purchased costs.

The Company applied to the Board on August 6, 1980 for approval of its rate base, an increase in rate of return and an increase in rates. Following a pre-hearing conference the Board issued an interim order increasing the Company's rates by 3.2% effective September 1. After public hearings in September and October, the Board issued Order No. P. U. 21 (1980) on November 3, 1980 confirming the interim rate increase and approving a new schedule of rates effective November 1, 1980 which increased the Company's rates by an estimated 5% over the levels in effect prior to September. The Order approved an average rate base of \$192,064,000 for 1979 and the allocation against current income of deferred income taxes related to all depreciable assets commencing January 1, 1981. Included in the Order were provisions for a change in the accounting for deferred fuel costs, the removal of the Weather Normalization Reserve from equity

for regulatory purposes and the transfer of the Appraisal Surplus to the Retained Earnings account. The Board also determined that for 1981 a just and reasonable rate of return on average rate base is between 11.25% and 11.50% and on average common equity is in the range of 14.5% to 15.25%.

Balance Sheet

Assets

	December 31	
	<u>1980</u>	<u>1979</u>
PROPERTY ACCOUNT		
Property, plant and equipment	\$294,949,432	\$272,584,608
Accumulated depreciation	<u>68,942,748</u>	<u>61,512,926</u>
	<u>226,006,684</u>	<u>211,071,682</u>
DEFERRED CHARGES		
Unamortized debt discount and expense	1,549,805	1,684,038
Unamortized capital stock issue expense	<u>1,448,376</u>	<u>1,495,672</u>
	<u>2,998,181</u>	<u>3,179,710</u>
CURRENT ASSETS		
Cash	208,220	187,076
Accounts receivable	12,035,534	12,582,798
Inventories of materials and supplies at average cost	5,853,383	5,104,494
Prepaid expenses	177,719	190,876
Deferred fuel account	<u> </u>	<u>189,176</u>
	<u>18,274,856</u>	<u>18,254,420</u>

Approved on behalf of the Board:

D. S. Templator Director
Geoffrey R. Parsons Director

\$247,279,721 \$232,505,812

Shareholders' Equity and Liabilities

	December 31	
	1980	1979
SHAREHOLDERS' EQUITY		
Common shares (Note 2)	\$24,987,324	\$24,368,694
Contributed surplus — premiums received on capital stock	1,496,198	1,451,641
Excess of appraised value of fixed assets over net book value at dates of appraisal		1,237,932
Weather Normalization Reserve	1,379,283	384,799
The Capital Redemption Reserve Fund (Note 2)	2,959,000	2,156,000
Earnings retained and invested in the business	<u>42,236,429</u>	<u>37,154,940</u>
Common shareholders' equity	73,058,234	66,754,006
Preference shares (Note 2)	<u>33,041,000</u>	<u>28,844,000</u>
	<u>106,099,234</u>	<u>95,598,006</u>
LONG TERM DEBT (Note 3):	<u>91,631,046</u>	<u>93,596,928</u>
DEFERRED CREDITS		
Contributions in aid of construction	5,324,707	4,931,712
Contributions - Rural Electrification System	8,394,637	6,661,250
Deferred income taxes	<u>5,281,208</u>	<u>4,809,793</u>
	<u>19,000,552</u>	<u>16,402,755</u>
CURRENT LIABILITIES		
Bank loans	10,825,000	9,350,000
Accounts payable and accrued charges	11,275,959	11,772,605
Interest accrued on long term debt	1,749,931	1,779,838
Current installments of long term debt	1,995,859	1,204,467
Income taxes payable	2,332,800	762,493
Dividends payable	2,034,597	1,930,720
Deferred fuel account	334,743	
Revenue rebate account (Note 5)		108,000
	<u>30,548,889</u>	<u>26,908,123</u>
	<u>\$247,279,721</u>	<u>\$232,505,812</u>

See accompanying notes to financial statements.

Statement of Income

	Year Ended December 31	
	1980	1979
OPERATING REVENUES	\$122,826,147	\$108,204,023
OPERATING REVENUE DEDUCTIONS		
Operating expenses	78,738,652	69,759,705
Provision for depreciation	9,393,115	8,573,825
	88,131,767	78,333,530
OPERATING INCOME	34,694,380	29,870,493
INCOME DEDUCTIONS		
Interest on long term debt	9,158,105	8,756,685
Amortization of debt discount and expense	138,382	136,406
	9,296,487	8,893,091
Other interest	884,219	1,051,562
Interest charged to construction	(243,959)	(265,276)
Discount on bonds purchased for sinking fund	(109,019)	(81,599)
Amortization of deferred charges	95,280	92,439
	9,923,008	9,690,217
INCOME BEFORE INCOME TAXES AND TRANSFERS	24,771,372	20,180,276
PROVISION FOR INCOME TAXES	11,187,798	8,320,396
	13,583,574	11,859,880
TRANSFER (TO) FROM WEATHER NORMALIZATION RESERVE	(994,484)	107,893
TRANSFER (TO) FROM REVENUE REBATE ACCOUNT (Note 5)	108,000	(108,000)
NET INCOME	12,697,090	11,859,773
DIVIDEND ON PREFERENCE SHARES	2,622,291	2,216,087
EARNINGS APPLICABLE TO COMMON SHARES	\$10,074,799	\$ 9,643,686
EARNINGS PER COMMON SHARE	\$2.60	\$2.51

Statement of Retained Earnings

	1980	1979
BALANCE AT BEGINNING OF YEAR	\$37,154,940	\$33,373,151
Net income for the year	12,697,090	11,859,773
Transfer from excess of appraised value of fixed assets over net book value	1,237,932	
	51,089,962	45,232,924
DIVIDENDS		
Preference shares	2,622,291	2,216,087
Common shares	5,428,242	5,104,897
	8,050,533	7,320,984
Transfer to The Capital Redemption Reserve Fund	803,000	757,000
	8,853,533	8,077,984
BALANCE AT END OF YEAR	\$42,236,429	\$37,154,940

See accompanying notes to financial statements.

Statement of Changes in Financial Position

	Year Ended December 31	
	1980	1979
SOURCE OF FUNDS		
From operations		
Income for the year	\$12,697,090	\$11,859,773
Non-cash charges and credits		
Depreciation	9,393,115	8,573,825
Amortization of deferred charges	233,662	228,845
Deferred income taxes	471,415	313,681
Transfer to (from) Weather Normalization Reserve.....	994,484	(107,893)
	11,092,676	9,008,458
	23,789,766	20,868,231
Contributions in aid of construction	732,976	535,959
Net proceeds of bond issue		4,962,500
Net proceeds from issue of preference shares	4,952,016	5,949,000
Proceeds from issue of common shares	618,630	467,305
Increase in bank loans	1,475,000	
	31,568,388	32,782,995
APPLICATION OF FUNDS		
Property, plant and equipment	23,170,996	20,527,795
Salvage net of dismantling costs and income taxes	236,277	1,081,804
	22,934,719	19,445,991
Decrease in bank loans		2,375,000
Increase in deferred charges	4,149	15,992
Dividends		
Preference shares	2,622,291	2,216,087
Common shares	5,428,242	5,104,897
Reduction of long term debt	1,965,882	1,203,467
Redemption of preference shares	758,435	752,697
	33,713,718	31,114,131
INCREASE (DECREASE) IN WORKING CAPITAL	(2,145,330)	1,668,864
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR.....	696,297	(972,567)
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR.....	<u>\$(1,449,033)</u>	<u>\$ 696,297</u>

See accompanying notes to financial statements.

Notes to Financial Statements

For the year ended December 31, 1980

1. Summary of Accounting Policies

The Company's accounting policies conform to generally accepted accounting principles and to accounting requirements established from time to time by the Board of Commissioners of Public Utilities of the Province of Newfoundland ("The Board").

Property, Plant and Equipment

Utility property, plant and equipment is stated at values approved by The Board as at June 30, 1966 with subsequent additions at cost. Maintenance and repairs are charged against revenue, while renewals and betterments are capitalized. The cost of plant and equipment retired, net of salvage, is charged to the accumulated depreciation account. For major disposals of property, any gain or loss on net depreciated cost is carried to income.

Depreciation

Depreciation is currently provided in the accounts at classified rates varying from 2.0% to 15.4% on the straight line method based on estimated service life of plant and equipment, as approved by The Board. The composite rate is approximately 3.5% before reduction for the amortization of Contributions in Aid of Construction and Contributions — Rural Electrification System.

Interest Charged to Construction

On certain construction projects interest at a rate not exceeding the maximum rate of return allowed by The Board is capitalized and included as a cost in the appropriate property accounts.

Deferred Charges

Deferred charges are being amortized as follows:

Debt discount and expense — over the life of each issue.

Capital stock issue expense — over a 20 year period from date of issue.

Deferred Fuel Account

The Company's rates include a fuel adjustment clause which permits the recovery of differences between actual fuel cost and a cost calculated by using a fixed base unit price. There is, however, a time lag between the periods where these differences occur and the periods in which they are billed to customers and, they are deferred until that time to achieve a proper matching between cost and revenue.

Weather Normalization Reserve

The Board has ordered provision of a Weather Normalization Reserve to adjust within the Company's accounts the effect of variations in temperature and stream flow when measured against long-term averages. The balance in the Weather Normalization Reserve as at December 31, 1980 and the underlying calculations have been approved by the Board.

Deferred Credits

Contributions in aid of Construction and Rural Electrification System represent the cost of property, plant and equipment contributed by customers and governments. Certain contributions by the Province of Newfoundland carry conditional options allowing the province to reacquire the plant so contributed. These accounts are being reduced annually by an amount equal to the charge for depreciation provided on the contributed portion of the cost of the assets involved.

Orders of The board required the Company to use the flow-through method of accounting for income taxes for all timing differences, other than certain deferred charges, during the period 1967 to 1978 and, commencing January 1, 1979, to use the tax allocation method for all depreciable assets acquired subsequent to that date. If the tax allocation basis of accounting, under which income tax is based on reported income, had been fully followed for the period 1967 to 1978, the cumulative amount of the deferred income tax credit would have been increased by approximately \$22,000,000 to December 31, 1980 (1979 - \$20,000,000).

Revenue

The Company follows an accepted practice in the utility industry, whereby, it records monthly sales on the basis of meter readings made throughout the month. Although each fiscal year includes twelve months electricity sales and costs, there are, at the end of each accounting period, sales the cost of which was charged to expense, while the related revenue is not recorded until the following period.

Changes in Financial Position

The Company's bank loans have been considered to be non-current liabilities in the preparation of the statement of changes in financial position.

2. Capital Stock

	December 31 1980	December 31 1979
Authorized		
Common shares without nominal or par value		
Class A convertible	5,000,000	5,000,000
Class B convertible	5,000,000	5,000,000
Cumulative redeemable voting first preference shares of a par value of \$10 each, issuable in series	5,000,000	4,000,000
Cumulative redeemable voting second preference shares of a par value of \$20 each, issuable in series	1,000,000	1,000,000
Issued and outstanding		
3,777,487 Class A shares		
110,719 Class B shares		
<u>3,888,206</u> common shares (3,860,784 shares December 31, 1979)	<u>\$24,987,324</u>	<u>\$24,368,694</u>
First preference shares		
200,000 5½% Series A	\$2,000,000	\$2,000,000
350,000 5¼% Series B	3,500,000	3,500,000
21,430 6% Series C	214,300	214,300
370,070 7¼% Series D	3,700,700	3,807,700
460,600 9% Series E	4,606,000	4,722,000
820,000 9.84% Series F	8,200,000	8,600,000
582,000 7.60% Series G	5,820,000	6,000,000
500,000 9⅛% Series H	5,000,000	
<u>3,304,100</u> (2,884,400 shares December 31, 1979)	<u>\$33,041,000</u>	<u>\$28,844,000</u>

The Company's common shares are designated as 5,000,000 Class A convertible common shares without nominal or par value and 5,000,000 Class B convertible common shares without nominal or par value. However, the total issued Class A and Class B shares outstanding at any time cannot exceed in the aggregate 5,000,000 shares. The shares of each class are inter-convertible on a share for share basis and rank equally in all respects including dividends.

Common shares were issued during the year as follows:

Dividend reinvestment plan	19,480 shares	\$442,572
Stock dividends on Class B	4,063 shares	95,472
Employee share purchase plan	<u>3,879 shares</u>	<u>80,586</u>
	<u>27,422</u>	<u>\$618,630</u>

Each series of first preference shares is redeemable at the option of the Company at a premium not in excess of the annual dividend rate, except that certain series may not be redeemed prior to designated dates. Certain series of first preference shares are subject to the operation of purchase and/or sinking funds. The Company has the right to purchase limited amounts of Series D, E, F, G and H at or below par and call limited amounts of Series F and H at par to satisfy the conditions of these funds.

In 1980, the Company purchased 10,700 Series D, 11,600 Series E, 40,000 Series F and 18,000 Series G preference shares for a gain, net of income taxes, of \$44,565 which has been credited to contributed surplus. The par value of the shares purchased to date in the amount of \$2,959,000 has been set aside from Retained Earnings to The Capital Redemption Reserve Fund in accordance with Section 49 of the Newfoundland Companies Act.

3. Long Term Debt

	December 31 1980	December 31 1979
First mortgage sinking fund bonds:		
5¾% Series E, due 1984.....	\$2,675,000	\$ 2,675,000
4¾% Series H, due 1981.....	589,500	600,500
5¾% Series I, due 1982.....	1,231,000	1,260,000
5¾% Series J, due 1983.....	987,500	1,000,000
7% Series K, due 1985.....	1,429,000	1,438,000
6½% Series L, due 1986.....	776,000	796,000
6¼% Series P, due 1981.....	187,000	187,000
7% Series R, due 1986.....	4,390,000	4,476,000
7¾% Series S, due 1988.....	2,537,000	2,584,000
8% Series T, due 1991.....	4,978,000	4,978,000
11¼% Series V, due 1996.....	19,695,000	20,000,000
11½% Series W, due 1999.....	5,000,000	5,000,000
	<u>44,475,000</u>	<u>44,994,500</u>
5¾% Series M, due 1990 (U.S. \$2,150,000).....	2,322,000	2,349,000
8¼% Series U, due 1992 (U.S. \$8,000,000).....	7,973,600	7,973,600
	<u>54,770,600</u>	<u>55,317,100</u>
General mortgage sinking fund bonds:		
9½% Series D, due 1990.....	3,587,000	3,655,000
11¼% Series F, due 1994.....	14,894,000	14,976,000
10½% Series G, due 1997.....	19,550,000	19,800,000
	<u>38,031,000</u>	<u>38,431,000</u>
7% Promissory Note, payable in six equal semi-annual installments (U.S. \$340,335).....	347,980	464,531
8½% Bills of Exchange payable in six equal semi-annual installments (U.K. £ 135,232).....	294,470	392,626
11% first mortgage payable in 99 monthly blended installments	182,855	196,138
	<u>825,305</u>	<u>1,053,295</u>
	93,626,905	94,801,395
Less: Current installments	1,995,859	1,204,467
	<u>\$91,631,046</u>	<u>\$93,596,928</u>

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

Long-term debt obligations in foreign currencies are carried at the Canadian exchange rate prevailing when the obligations were incurred. As at December 31, 1980, \$12,909,693 Canadian was required to translate foreign currency obligations carried at \$10,938,049. As at December 31, 1979, \$12,868,772 was required to translate foreign currency obligations carried at \$11,179,757.

The annual requirements to meet sinking fund payments, installments and maturing issues of long-term debt outstanding as at December 31, 1980 for each of the years to 1985 are as follows:

	1981	1982	1983	1984	1985
Sinking fund payments and installments.....	\$1,219,359	\$1,200,059	\$1,189,457	\$ 947,422	\$ 929,791
Maturing Issues.....	776,500	1,211,000	962,500	2,585,000	1,349,000
	<u>\$1,995,859</u>	<u>\$2,411,059</u>	<u>\$2,151,957</u>	<u>\$3,532,422</u>	<u>\$2,278,791</u>

The trust deeds securing the first mortgage and general mortgage bonds contain conditions precedent which if not met restrict the payment of dividends. At December 31, 1980 these conditions had been met.

4. Retirement of Employees

The present practice of the Company is to pay an income supplement to retired officers and employees charging the cost thereof to current operations and the Company has advised its employees of the basis upon which such payments may be made.

The Public Utilities Act provides that reasonable payments of this nature are expenses that The Board may allow as reasonable and prudent and properly chargeable to the operating account of the utility. The Board has so allowed the income supplements being paid.

5. Revenue Rebate

The Board regulates the Company's earnings and determined for 1979 that there was apparent excess income of \$108,000 net of income taxes. The Board directed that this amount be set aside in the Revenue Rebate Account to be used as part of revenue requirements for 1980.

Auditors' Report

The Shareholders,
Newfoundland Light & Power Co. Limited.

We have examined the accompanying balance sheet of Newfoundland Light & Power Co. Limited as at December 31, 1980 and the statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

St. John's, Newfoundland,
February 27, 1981.


Chartered Accountants

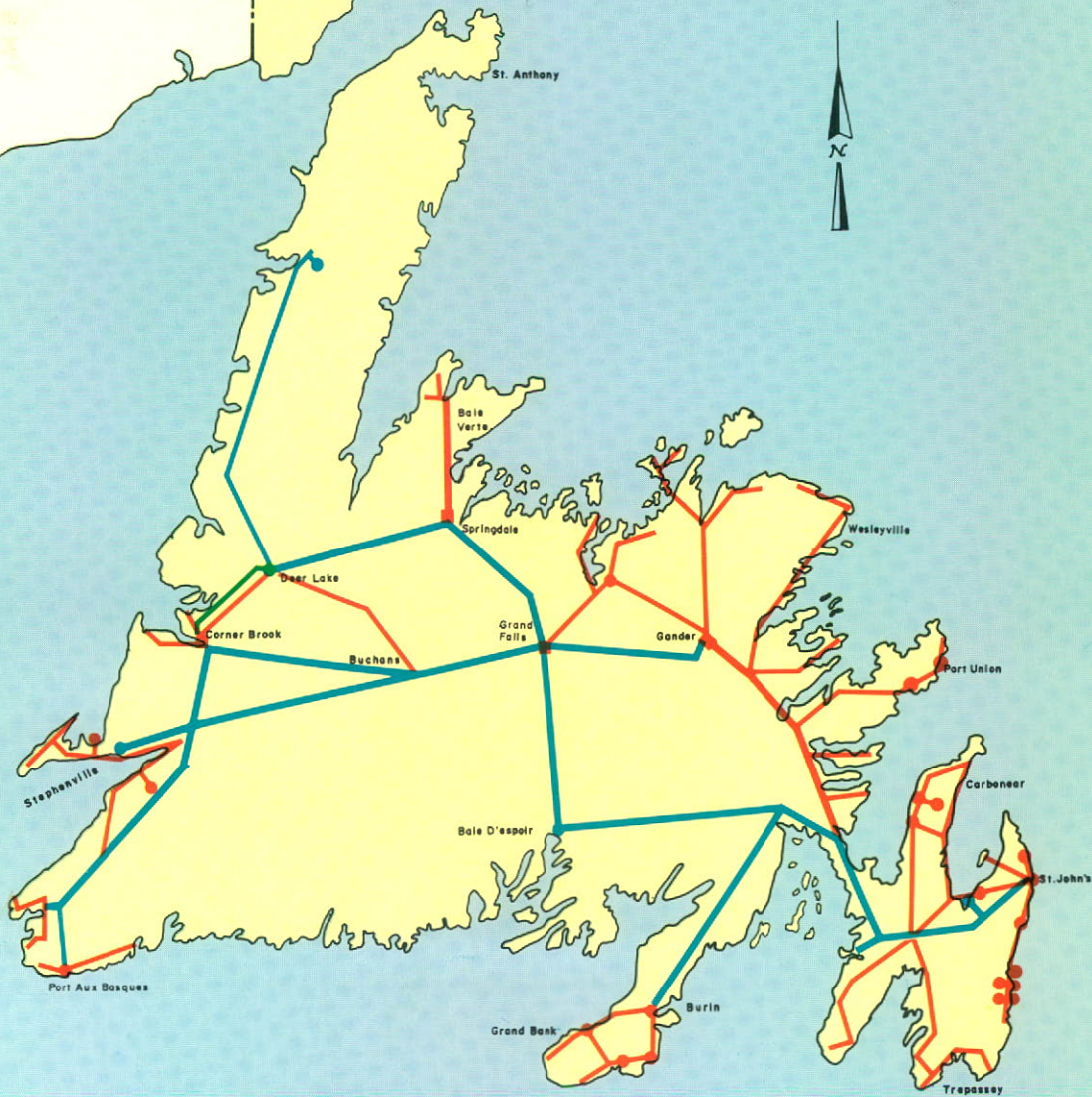
NEWFOUNDLAND LIGHT & POWER CO. LIMITED

Five Year Summary

	1980	1979	1978	1977	1976
INCOME AND EXPENDITURE					
(thousands of dollars)					
Operating revenue.....	\$122,826	\$108,204	\$ 92,223	\$ 73,469	\$ 60,259
Operating expenses	78,739	69,760	57,960	46,037	37,541
Interest	9,879	9,598	9,056	8,543	6,840
Depreciation.....	9,393	8,574	7,845	6,702	5,582
Income taxes	11,188	8,320	5,803	3,076	2,434
Balance after preference dividends.....	10,075	9,644	9,098	7,338	6,093
Dividends on common shares.....	5,428	5,105	4,788	3,819	2,777
Retained in the business.....	4,647	4,539	3,540	3,402	3,055
Number of common shares at year end (thousands).	3,888	3,861	3,837	3,817	3,057
Earnings per common share (\$)	2.60	2.51	2.38	2.35	2.17
BALANCE SHEET DATA					
(thousands of dollars)					
Property, plant and equipment.....	294,949	272,585	254,760	238,008	210,611
Accumulated depreciation	68,942	61,513	53,921	48,608	43,251
Net fixed assets.....	<u>226,007</u>	<u>211,072</u>	<u>200,839</u>	<u>189,400</u>	<u>167,360</u>
First mortgage bonds	53,404	55,317	50,838	53,623	54,337
Other long term debt, bank loans and notes payable.....	49,052	48,834	51,714	43,062	32,807
Total debt	<u>102,456</u>	<u>104,151</u>	<u>102,552</u>	<u>96,685</u>	<u>87,144</u>
Preference shares	33,041	28,844	23,601	24,371	24,488
Common equity	73,058	66,754	61,852	57,382	42,298
Total capital	<u>208,555</u>	<u>199,749</u>	<u>188,005</u>	<u>178,438</u>	<u>153,930</u>
OPERATING STATISTICS					
Sources of Energy (millions of kWh)					
Purchased.....	2,606	2,503	2,446	2,286	2,077
Generated.....	453	359	378	332	380
Total.....	<u>3,059</u>	<u>2,862</u>	<u>2,824</u>	<u>2,618</u>	<u>2,457</u>
Sales (millions of kWh)					
Domestic	608	589	591	598	611
Domestic all-electric	966	881	878	801	715
General service all-electric	464	463	430	386	365
General service and street lighting	810	757	723	684	587
Total.....	<u>2,848</u>	<u>2,690</u>	<u>2,622</u>	<u>2,469</u>	<u>2,278</u>
Customers (year-end)					
Domestic	86,916	86,729	86,787	87,780	87,962
Domestic all-electric.....	45,764	42,819	39,605	35,713	30,856
General service all-electric	3,516	3,828	3,499	3,107	2,680
General service and street lighting	20,273	19,489	19,392	19,085	18,747
Total.....	<u>156,469</u>	<u>152,865</u>	<u>149,283</u>	<u>145,685</u>	<u>140,245</u>
Annual degree days — St. John's (Celsius)	5,095	4,641	5,088	4,808	4,805

A ten year financial statistical summary containing additional information is available upon request to:

The Treasurer
Newfoundland Light & Power Co. Limited
P. O. Box 8910
St. John's, Newfoundland A1B 3P6



- Newfoundland Light & Power Co. Limited ■
- Newfoundland and Labrador Hydro ■
- The Bowater Power Company Limited ■
- Power Plants ● ● ●
- Lines — — —

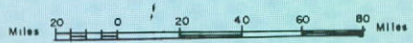


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