NEWFOUNDLAND AND LABRADOR HYDRO
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
September 30, 2017
(Unaudited)

NEWFOUNDLAND AND LABRADOR HYDRO
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited)

As at (millions of Canadian dollars)	Notes	**September 30 2017**	December 31 2016
ASSETS			
Current assets			
Cash and cash equivalents		**32.5**	26.5
Trade and other receivables		**89.5**	118.9
Inventories		**103.7**	88.9
Current portion of sinking funds	6	**-**	75.2
Current portion of reserve fund	6	**8.7**	4.9
Prepayments		**10.0**	5.5
Deferred asset	3	**12.8**	51.1
Total current assets		**257.2**	371.0
Non-current assets			
Property, plant and equipment	4	**2,466.2**	2,279.3
Intangible assets		**7.3**	7.8
Long-term investments		**34.0**	34.0
Investment in joint arrangement		**1.2**	1.2
Other long-term assets	6	**190.3**	202.3
Total assets		**2,956.2**	2,895.6
Regulatory deferrals	5	**112.3**	163.8
Total assets and regulatory deferrals		**3,068.5**	3,059.4
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	7	**545.0**	435.0
Trade and other payables		**179.6**	174.4
Current portion of long-term debt	7	**6.9**	142.6
Deferred credits		**0.5**	0.4
Current portion of deferred contributions		**1.2**	1.1
Derivative liability	14	**8.9**	51.1
Total current liabilities		**742.1**	804.6
Non-current liabilities			
Long-term debt	7	**1,152.9**	871.7
Deferred contributions		**12.3**	12.8
Decommissioning liabilities		**15.9**	15.8
Employee future benefits		**106.1**	102.7
Total liabilities		**2,029.3**	1,807.6
Shareholder’s equity			
Share capital		**22.5**	22.5
Contributed capital	10	**149.4**	148.1
Reserves		**10.5**	26.3
Retained earnings		**763.6**	706.5
Total equity		**946.0**	903.4
Total liabilities and equity		**2,975.3**	2,711.0
Regulatory deferrals	5	**93.2**	348.4
Total liabilities, equity and regulatory deferrals		**3,068.5**	3,059.4

Commitments and contingencies (Note 16)

See accompanying notes

NEWFOUNDLAND AND LABRADOR HYDRO
CONSOLIDATED STATEMENT OF PROFIT AND COMPREHENSIVE INCOME
(Unaudited)

		Three months ended		Nine months ended	
For the period ended September 30 (millions of Canadian dollars)	Notes	**2017**	2016	**2017**	2016
			(Restated - Notes 19,20)		(Restated - Notes 19,20)
Energy sales		**97.7**	95.4	**450.4**	480.4
Other revenue		**7.3**	6.8	**20.9**	20.8
Revenue		**105.0**	102.2	**471.3**	501.2
Fuels		**20.3**	17.4	**145.6**	117.6
Power purchased		**23.8**	22.4	**75.9**	74.7
Operating costs	11	**40.7**	40.0	**129.6**	125.6
Transmission rental		**5.0**	4.8	**15.2**	14.4
Depreciation and amortization		**23.1**	21.3	**69.0**	63.1
Net finance expense	12	**14.8**	17.8	**49.1**	54.3
Other (income) expense	13	**(1.3)**	2.2	**(1.4)**	(6.3)
Expenses		**126.4**	125.9	**483.0**	443.4
(Loss) profit before regulatory adjustments		**(21.4)**	(23.7)	**(11.7)**	57.8
Regulatory adjustments	5	**(23.9)**	(26.5)	**(73.6)**	25.6
Profit for the period		**2.5**	2.8	**61.9**	32.2
Other comprehensive income					
Total items that may or have been reclassified to profit or loss					
Regulatory adjustment		**-**	(1.7)	**0.1**	(0.6)
Net fair value (loss) gain on available-for-sale financial instruments		**(5.4)**	3.7	**(9.6)**	13.7
Reclassification adjustments related to:					
Disposals of available-for-sale financial instruments		**(1.8)**	(2.6)	**(6.3)**	(7.7)
Other comprehensive (loss) income for the period		**(7.2)**	(0.6)	**(15.8)**	5.4
Total comprehensive (loss) income for the period		**(4.7)**	2.2	**46.1**	37.6

See accompanying notes

NEWFOUNDLAND AND LABRADOR HYDRO
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)

(millions of Canadian dollars)	Notes	Share Capital	Contributed Capital	Fair Value Reserve	Employee Benefit Reserve	Retained Earnings	Total
Balance at January 1, 2017		**22.5**	**148.1**	**44.7**	**(18.4)**	**706.5**	**903.4**
Profit for the period		**-**	**-**	**-**	**-**	**61.9**	**61.9**
Other comprehensive income							
Net change in fair value of available-for-sale financial instruments	**9**	**-**	**-**	**(9.6)**	**-**	**-**	**(9.6)**
Net change in fair value of financial instruments reclassified to profit or loss	**9**	**-**	**-**	**(6.3)**	**-**	**-**	**(6.3)**
Regulatory adjustment	**9**	**-**	**-**	**-**	**0.1**	**-**	**0.1**
Total comprehensive (loss) income for the period		**-**	**-**	**(15.9)**	**0.1**	**61.9**	**46.1**
Contributed capital	**10**	**-**	**1.3**	**-**	**-**	**-**	**1.3**
Dividends	**10**	**-**	**-**	**-**	**-**	**(4.8)**	**(4.8)**
Balance at September 30, 2017		**22.5**	**149.4**	**28.8**	**(18.3)**	**763.6**	**946.0**

(Restated - Notes 19,20)

Balance at January 1, 2016		22.5	132.9	41.4	(21.5)	663.1	838.4
Profit for the period		-	-	-	-	32.2	32.2
Other comprehensive income							
Net change in fair value of available-for-sale financial instruments	9	-	-	13.7	-	-	13.7
Net change in fair value of financial instruments reclassified to profit or loss	9	-	-	(7.7)	-	-	(7.7)
Regulatory adjustment	9	-	-	-	(0.6)	-	(0.6)
Total comprehensive income (loss) for the period		-	-	6.0	(0.6)	32.2	37.6
Contributed capital		-	13.5	-	-	-	13.5
Dividends	10	-	-	-	-	(9.1)	(9.1)
Balance at September 30, 2016		22.5	146.4	47.4	(22.1)	686.2	880.4

See accompanying notes

NEWFOUNDLAND AND LABRADOR HYDRO
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

For the period ended September 30 (millions of Canadian dollars)	Notes	**Three months ended** **2017**	2016 (Restated - Notes 19,20)	**Nine months ended** **2017**	2016 (Restated - Notes 19,20)
Operating activities					
Profit for the period		**2.5**	2.8	**61.9**	32.2
Adjustments for the following non-cash items:					
Depreciation - capital assets	4	**22.5**	20.9	**67.6**	62.0
Amortization - intangible assets		**0.6**	0.4	**1.4**	1.1
Amortization - sinking fund discount		**(2.4)**	(3.3)	**(8.3)**	(9.9)
Employee benefits		**1.1**	3.6	**3.2**	5.2
Regulatory adjustments		**(23.9)**	(26.5)	**(73.6)**	25.6
Net changes in PPA fair value		**(3.4)**	2.6	**(3.8)**	(6.1)
Other		**3.9**	(1.5)	**3.5**	1.6
		0.9	(1.0)	**51.9**	111.7
Changes in non-cash working capital balances	17	**(33.2)**	(25.3)	**(10.2)**	19.4
Net cash (used in) provided from operating activities		**(32.3)**	(26.3)	**41.7**	131.1
Investing activities					
Additions to property, plant and equipment		**(99.4)**	(80.6)	**(267.2)**	(157.9)
Additions to intangible assets		**(0.8)**	(0.4)	**(0.9)**	(2.0)
Decrease (increase) in short term investments		**14.5**	-	**-**	(13.2)
Decrease (increase) in sinking funds		**90.8**	(5.8)	**88.4**	(8.2)
Proceeds on disposal of property, plant and equipment		**9.7**	-	**9.7**	0.2
Changes in non-cash working capital balances	17	**8.7**	18.0	**25.5**	30.0
Net cash provided from (used in) investing activities		**23.5**	(68.8)	**(144.5)**	(151.1)
Financing activities					
Issuance of long-term debt	7	**-**	-	**282.5**	-
Retirement of long-term debt	7	**(150.0)**	-	**(150.0)**	-
Dividends paid to Nalcor Energy	10	**(1.4)**	(2.8)	**(4.8)**	(9.1)
Increase in short term borrowings	7	**157.0**	84.0	**110.0**	21.0
Increase in contributed capital		**(1.9)**	(8.7)	**0.2**	-
Other		**0.4**	(0.2)	**0.2**	0.9
Rate stabilization plan refund		**(2.0)**	-	**(129.3)**	-
Net cash provided from financing activities		**2.1**	72.3	**108.8**	12.8
Net (decrease) increase in cash and cash equivalents		**(6.7)**	(22.8)	**6.0**	(7.2)
Cash and cash equivalents, beginning of period		**39.2**	55.7	**26.5**	40.1
Cash and cash equivalents, end of period		**32.5**	32.9	**32.5**	32.9
Interest received		**21.3**	0.7	**22.6**	1.9
Interest paid		**36.0**	34.1	**80.4**	76.8

See accompanying notes

1. DESCRIPTION OF BUSINESS

Newfoundland and Labrador Hydro (Hydro or the Company) is incorporated under a special act of the Legislature of the Province of Newfoundland and Labrador (the Province). The principal activity of Hydro is the generation, transmission and sale of electricity. Hydro's operations include both regulated and non-regulated activities. Hydro is a 100% owned subsidiary of Nalcor Energy (Nalcor). Hydro's head office is located at 500 Columbus Drive in St. John's, Newfoundland and Labrador A1B 0C9, Canada.

Hydro holds interests in the following entities:

A 65.8% interest in Churchill Falls (Labrador) Corporation Limited (Churchill Falls). Churchill Falls is incorporated under the laws of Canada and owns and operates a hydroelectric generating plant and related transmission facilities situated in Labrador which has a rated capacity of 5,428 megawatts (MW).

A 51% interest in Lower Churchill Development Corporation (LCDC), an inactive subsidiary. LCDC is incorporated under the laws of Newfoundland and Labrador and was established with the objective of developing all or part of the hydroelectric potential of the Lower Churchill River.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Measurement

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34 - Interim Financial Reporting and have been prepared using accounting policies consistent with those used in the preparation of the annual audited consolidated financial statements for the year ended December 31, 2016.

These condensed consolidated interim financial statements do not include all of the disclosures normally found in Hydro's annual audited consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements. Interim results will fluctuate due to the seasonal nature of electricity demand and water flows, as well as timing and recognition of regulatory items. Due to higher electricity demand during the winter months, revenue from electricity sales is higher during the first and fourth quarters.

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss and available-for-sale financial assets which have been measured at fair value. The condensed consolidated interim financial statements are presented in Canadian dollars (CAD) and all values rounded to the nearest million, except when otherwise noted. The condensed consolidated interim financial statements were approved by Hydro's Board of Directors (the Board) on November 7, 2017.

2.2 Basis of Consolidation

The condensed consolidated interim financial statements include the financial statements of Hydro, its subsidiary company, LCDC, and its share of investments in a joint operation and a joint arrangement. Intercompany transactions and balances have been eliminated upon consolidation.

Effective June 18, 1999, Hydro, Churchill Falls, and Hydro-Québec entered into a Shareholders' Agreement (the Shareholders' Agreement) which provided, among other matters, that certain of the strategic operating, financing and investing policies of Churchill Falls be subject to approval jointly by representatives of Hydro and Hydro-Québec on the Board of Directors of Churchill Falls.

Although Hydro holds a 65.8% ownership interest, the agreement changed the nature of the relationship between Hydro and Hydro-Québec, with respect to Churchill Falls, from that of majority and minority shareholders, respectively, to that of a joint operation. Accordingly, Hydro has recognized its share of assets, liabilities and profit or loss in relation to its interest in Churchill Falls subsequent to the effective date of the Shareholders' Agreement.

Churchill Falls holds 33.33% of the equity share capital of Twin Falls Power Corporation Limited (Twin Falls). This investment is accounted for using the equity method.

3. DEFERRED ASSET

The deferred asset represents Hydro's asset related to the power purchase agreement (PPA) with Nalcor Energy Marketing Corporation (Energy Marketing). The PPA, which became effective on October 1, 2015, allows Energy Marketing to purchase available recapture energy from Hydro for resale in export markets or through agreements with counterparties. Additionally, the PPA allows for the use of Hydro's transmission service rights by Energy Marketing to deliver electricity, through rights which are provided to Hydro pursuant to a Transmission Service Agreement with Hydro-Québec dated April 1, 2009.

The PPA can be terminated by either party with notice provided 60 days prior to the intended termination date. At September 30, 2017, Management assessed the anticipated term of the contract and determined no change in accounting treatment was required.

The deferred asset is amortized into income on a straight-line basis over the assumed 12 month term of the contract, which commenced on January 1, 2017. The components of change are as follows:

As at (millions of Canadian dollars)	**September 30 2017**	December 31 2016
Deferred asset, beginning of period	**51.1**	61.2
Additions	**-**	51.1
Amortization	**(38.3)**	(61.2)
Deferred asset, end of period	**12.8**	51.1

4. PROPERTY, PLANT AND EQUIPMENT

(millions of Canadian dollars)	Generation Plant	Transmission and Distribution	Other	Construction in Progress	Total
Cost					
Balance at January 1, 2016	1,701.3	765.0	222.2	58.4	2,746.9
Additions	-	0.1	0.1	260.5	260.7
Disposals	(6.1)	(3.2)	(3.4)	-	(12.7)
Transfers	93.8	97.4	24.8	(216.0)	-
Other adjustments	(0.4)	(0.1)	(0.1)	-	(0.6)
Decommissioning liabilities and revisions	(13.9)	1.0	-	-	(12.9)
Balance at December 31, 2016	1,774.7	860.2	243.6	102.9	2,981.4
Additions	**0.1**	**-**	**-**	**268.2**	**268.3**
Disposals	**(0.9)**	**(0.6)**	**(1.9)**	**-**	**(3.4)**
Transfers	**1.6**	**3.0**	**1.2**	**(5.8)**	**-**
Other adjustments	**-**	**(0.1)**	**-**	**(12.9)**	**(13.0)**
Balance at September 30, 2017	**1,775.5**	**862.5**	**242.9**	**352.4**	**3,233.3**
Depreciation					
Balance at January 1, 2016	412.4	138.4	73.3	-	624.1
Depreciation	46.7	23.0	13.5	-	83.2
Disposals	(1.8)	(1.0)	(2.4)	-	(5.2)
Balance at December 31, 2016	457.3	160.4	84.4	-	702.1
Depreciation	**38.3**	**19.2**	**10.1**	**-**	**67.6**
Disposals	**(0.7)**	**(0.4)**	**(1.5)**	**-**	**(2.6)**
Balance at September 30, 2017	**494.9**	**179.2**	**93.0**	**-**	**767.1**
Carrying value					
Balance at January 1, 2016	1,288.9	626.6	148.9	58.4	2,122.8
Balance at December 31, 2016	1,317.4	699.8	159.2	102.9	2,279.3
Balance at September 30, 2017	**1,280.6**	**683.3**	**149.9**	**352.4**	**2,466.2**

5. REGULATORY DEFERRALS

(millions of Canadian dollars)	January 1 2017	Reclass & Disposition	Regulatory Activity	**September 30 2017**	Remaining Recovery Settlement Period (years)
Regulatory asset deferrals					
2014 cost deferral	38.7	(37.7)	(1.0)	**-**	n/a
2015 cost deferral	24.5	(27.7)	3.2	**-**	n/a
2016 cost deferral	32.4	(36.1)	3.7	**-**	n/a
Asset disposal	0.4	-	-	**0.4**	19.65
Deferred energy conservation costs	8.3	-	0.5	**8.8**	n/a
Deferred foreign exchange on fuel	(0.2)	-	-	**(0.2)**	n/a
Deferred lease costs	4.5	-	(1.0)	**3.5**	3.65
Energy supply deferral	-	31.0	15.1	**46.1**	n/a
Foreign exchange losses	54.0	-	(1.7)	**52.3**	24.25
Hearing costs	0.3	-	(0.2)	**0.1**	0.25
Phase Two hearing costs	0.9	-	0.4	**1.3**	n/a
	163.8	(70.5)	19.0	**112.3**	
Regulatory liability deferrals					
Deferred power purchase savings	(0.4)	-	-	**(0.4)**	9.75
Insurance amortization and proceeds	(4.4)	-	0.4	**(4.0)**	n/a
Labrador refund	-	(0.3)	-	**(0.3)**	2.25
Rate stabilization plan (RSP)	(343.6)	201.8	53.3	**(88.5)**	n/a
	(348.4)	201.5	53.7	**(93.2)**	

5.1 Regulatory Adjustments Recorded in the Consolidated Statement of Profit and Comprehensive Income

For the period ended September 30 (millions of Canadian dollars)	**Three months ended 2017**	2016 (Restated - Note 19)	**Nine months ended 2017**	2016 (Restated - Note 19)
RSP amortization	**(3.4)**	(12.4)	**(47.0)**	(19.9)
RSP fuel deferral	**(18.5)**	(19.3)	**(10.9)**	25.0
RSP interest	**1.6**	6.6	**7.3**	19.3
Rural rate adjustment	**(0.3)**	(1.8)	**(2.7)**	(5.6)
Total RSP activity	**(20.6)**	(26.9)	**(53.3)**	18.8
2014 cost deferral	**-**	-	**1.0**	4.6
2015 cost deferral	**-**	-	**(3.2)**	0.7
2016 cost deferral	**-**	-	**(3.7)**	-
Amortization of deferred foreign exchange losses	**0.6**	0.5	**1.7**	1.6
Deferred energy conservation	**(0.2)**	(0.4)	**(0.5)**	(0.6)
Deferred foreign exchange on fuel	**0.2**	0.3	**-**	1.1
Deferred lease costs	**0.3**	0.1	**1.0**	(1.5)
Employee benefits actuarial loss	**-**	0.3	**0.1**	0.4
Energy supply deferral	**(3.9)**	-	**(15.1)**	-
Fuel supply deferral	**-**	-	**-**	1.7
Hearing costs	**0.2**	-	**0.2**	-
Insurance amortization and proceeds	**(0.1)**	(0.2)	**(0.4)**	(0.5)
Non-customer contributions in aid of construction	**(0.4)**	-	**(1.0)**	-
Phase Two hearing costs	**-**	(0.2)	**(0.4)**	(0.7)
	(23.9)	(26.5)	**(73.6)**	25.6

Hydro's regulatory deferrals will be, or are expected to be, reflected in customer rates in future periods and have been established through the rate setting process. In the absence of rate regulation, these amounts would be reflected in operating results in the year and profit for the period ended September 30, 2017 would have decreased by $73.6 million (2016 – an increase of $25.6 million).

5.2 RSP Refund

As per Board Order P.U. 36 (2016), the RSP was reduced by $129.3 million relating to the refund of the utility surplus balance. The reduction was comprised of $127.7 million refund to customers and $1.6 million in administrative costs.

5.3 2014 Cost Deferral

In Board Order P.U. 22 (2017), the Board approved the 2014 cost deferral of $37.7 million, resulting in a decrease in profit for the period of $1.0 million, and the disposition of the balance from the RSP.

5.4 2015 Cost Deferral

In Board Order P.U. 22 (2017), the Board approved the 2015 cost deferral of $27.7 million, resulting in an increase in profit for the period of $3.2 million, and the disposition of the balance from the RSP.

5.5 2016 Cost Deferral

The 2016 cost deferral of $32.4 million consisted of energy supply costs of $31.0 million and other costs (net of allowances) of $1.4 million. As a result of Board Order P.U. 22 (2017), $31.0 million was re-classified to the energy supply deferral. The Board approved the remaining 2016 costs of $5.0 million, which resulted in an increase in profit of $3.7 million for the period, and the disposition of the balance from the RSP.

5.6 Energy Supply Deferrals

The energy supply deferral account includes $31.0 million which was re-classified from the 2016 cost deferral. In Board Order P.U. 22 (2017), the Board approved the deferral of energy supply costs with recovery subject to a future Board order. The net impact for the period was an increase in profit of $15.1 million.

5.7 Labrador Refund

Pursuant to Board Order P.U. 22 (2017), the Board ordered Hydro to refund Labrador Industrial Transmission customers' excess revenues relating to the period from 2014 to 2017. The Board also ordered that Hydro apply a rate reduction for a 30 month period to Hydro's rural customers on the Labrador Interconnected System relating to excess revenue collected.

6. OTHER LONG-TERM ASSETS

(millions of Canadian dollars)		**September 30 2017**	December 31 2016
Long-term receivables		**0.5**	0.5
Reserve fund		**14.8**	14.9
Sinking funds	(a)	**183.7**	267.0
Other long-term assets		**199.0**	282.4
Less: current portion of reserve fund		**(8.7)**	(4.9)
Less: current portion of sinking funds		**-**	(75.2)
		190.3	202.3

(a)

As at September 30 (millions of Canadian dollars)	**September 30 2017**	December 31 2016
Sinking funds, beginning of period	**267.0**	242.6
Contributions	**6.7**	8.1
Earnings	**20.7**	12.5
Disposals	**(95.1)**	-
Mark-to-market adjustment	**(15.6)**	3.8
Sinking funds, end of period	**183.7**	267.0
Less: current portion	**-**	(75.2)
	183.7	191.8

Sinking fund installments due over the next five years are as follows:

(millions of Canadian dollars)	2018	2019	2020	2021	2022
Sinking fund installments	6.7	6.7	6.7	6.7	6.7

7. DEBT

7.1 Short-term Borrowings

On July 27, 2017 Hydro converted its $50.0 million demand operating facility, to a $200.0 million CAD or USD equivalent committed revolving term credit facility, with a maturity date of July 27, 2019. As at September 30, 2017 $20.0 million was drawn on the facility (2016 - $nil) in the form of a Bankers' Acceptance (BAs) at a rate of 1.845% with a maturity date of October 5, 2017. Upon maturity, a replacement BA was issued. As of September 30, 2017, there were no irrevocable letters of credit issued under the credit limit (2016 - $0.3 million). Borrowings in CAD may take the form of Prime Rate Advances, BAs, and letters of credit, with interest calculated at the Prime Rate or prevailing Government BA fee. Borrowings in USD may take the form of Base Rate Advances, London Interbank Offer Rate (LIBOR) Advances and letters of credit. The facility also provides coverage for overdrafts on Hydro's bank accounts, with interest calculated at the Prime Rate. On January 24, 2017 Hydro cancelled the irrevocable letter of credit for $0.3 million (2016 - $0.3 million) as it was no longer required.

On September 29, 2017 Nalcor replaced an intercompany loan in the amount of $225.0 million to Hydro. This loan will mature on March 30, 2018 and has an interest rate of 1.845%.

In addition, Hydro utilized its government guaranteed promissory note program to fulfil its short-term funding requirements. As at September 30, 2017, there were $300.0 million in promissory notes outstanding with a maturity date of October 6, 2017 bearing an interest rate of 1.13% (2016 - $210.0 million bearing an interest rate of 0.63%). Upon maturity, the promissory note was reissued.

As at (millions of Canadian dollars)	**September 30 2017**	December 31 2016
Promissory notes - borrowed from Nalcor	**225.0**	225.0
Promissory notes - borrowed from external markets	**300.0**	210.0
BA drawn on the committed revolving term facility	**20.0**	-
	545.0	435.0

Churchill Falls maintains a $10.0 million CAD or USD equivalent unsecured demand operating credit facility with its primary banker. There were no amounts drawn on this facility as at September 30, 2017 (2016 - $nil), however $1.0 million of the borrowing limit has been used to issue irrevocable letters of credit (2016 - $1.0 million). Churchill Falls has issued an additional irrevocable letter of credit in the amount of $1.0 million (2016 - $1.0 million), which does not impact the borrowing limit of the operating credit facility. Borrowings in CAD may take the form of Prime Rate Advances, BAs, or letters of credit, with interest calculated at the Prime Rate or prevailing Government BA fee. Borrowings in USD may take the form of Base Rate Advances. The facility also provides coverage for overdrafts on Churchill Falls bank accounts, with interest calculated at the Prime Rate. Churchill Falls has issued three irrevocable letters of credit, totalling $2.0 million (2016 - $2.0 million), to ensure satisfactory management of its waste management and compliance with a certificate of approval for the transportation of special hazardous wastes granted by the Department of Environment and Conservation.

7.2 Long-term Debt

The following table represents the value of long-term debt measured at amortized cost:

As at (millions of Canadian dollars)	Face Value	Coupon Rate %	Year of Issue	Year of Maturity	**September 30 2017**	December 31 2016
Hydro						
V	0.2	10.50	1989	2014	**0.2**	0.2
X*	150.0	10.25	1992	2017	**-**	149.9
Y*	300.0	8.40	1996	2026	**295.3**	295.0
AB*	300.0	6.65	2001	2031	**305.4**	305.5
AD*	125.0	5.70	2003	2033	**123.9**	123.8
AF	500.0	3.60	2014/2017	2045	**479.9**	197.2
Total debentures	1,375.2				**1,204.7**	1,071.6
Less: Sinking fund investments in own debentures					**44.9**	57.3
					1,159.8	1,014.3
Less: payments due within one year					**6.9**	142.6
Total debentures					**1,152.9**	871.7

*Sinking funds have been established for these issues.

Hydro's promissory notes and debentures are unsecured and unconditionally guaranteed as to principal and interest and, where applicable, sinking fund payments, by the Province. The Province charges Hydro a guarantee fee of 25 basis points annually on the total debt (net of sinking funds) with a remaining term to maturity of less than 10 years and 50 basis points annually on total debt (net of sinking funds) with a remaining term to maturity greater than 10 years for debt outstanding as of December 31, 2010. For debt issued subsequent to December 31, 2010, the guarantee rate is 25 basis points annually on the total debt (net of sinking funds) with an original term to maturity of less than 10 years and 50 basis points annually on total debt (net of sinking funds) with an original term to maturity greater than 10 years. The guarantee fee charged by the province for the period ended September 30, 2017 was $3.1 million (2016 - $3.4 million).

On January 20, 2017 Hydro issued new long-term debt through the reopening and sale of $300.0 million of Series AF debentures to its underwriting syndicate. The debentures mature on December 1, 2045 with a coupon rate of 3.60% paid semi-annually.

On July 14, 2017 Hydro's $150.0 million long-term debt, Series X, matured. Sinking fund disposals during the period in the amount of $95.1 million were used to offset the Series X maturity.

8. EMPLOYEE FUTURE BENEFITS

8.1 Pension Plan

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions for the period ended September 30, 2017 of $6.9 million (2016 - $6.6 million) are expensed as incurred.

8.2 Other Benefits

Hydro provides group life insurance and health care benefits on a cost shared basis to retired employees, and in certain cases, their surviving spouses, in addition to a severance payment upon retirement. In 2017, cash payments to beneficiaries for its unfunded other employee future benefits were $2.8 million (2016 - $2.7 million). An actuarial valuation was performed as at December 31, 2016.

	Three months ended		**Nine months ended**	
For the period ended September 30 (millions of Canadian dollars)	**2017**	2016	**2017**	2016
Component of benefit cost		(Restated - Note 19)		(Restated - Note 19)
Current service cost	**1.0**	1.1	**3.0**	3.2
Interest cost	**0.9**	1.1	**3.0**	3.3
Total benefit expense for the period	**1.9**	2.2	**6.0**	6.5

9. ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of, and changes in, accumulated other comprehensive income are as follows:

Items that may or have been reclassified to profit or loss:

(millions of Canadian dollars)	**2017**	2016
Available-for-sale financial instruments		
Balance at January 1	**44.7**	41.4
Net fair value (loss) gain during the period	**(9.6)**	13.7
Amounts reclassified to profit or loss	**(6.3)**	(7.7)
Balance at September 30	**28.8**	47.4

(millions of Canadian dollars)	**2017**	2016
Employee future benefits		
Balance at January 1	**(18.4)**	(21.5)
Regulatory adjustment	**0.1**	(0.6)
Balance at September 30	**(18.3)**	(22.1)

10. SHAREHOLDER'S EQUITY

10.1 Contributed Capital

	September 30	December 31
As at (millions of Canadian dollars)	**2017**	2016
Contributed capital, beginning of period	**148.1**	132.9
Additions	**1.3**	15.2
Contributed capital, end of period	**149.4**	148.1

During 2017, the Churchill Falls (Labrador) Corporation Trust (the Trust) contributed capital in the amount of $0.2 million (2016 - $0.3 million). In addition, Lower Churchill Management Corporation (LCMC) contributed $1.1 million (2016 - $14.9 million) in additions to property, plant and equipment.

10.2 Dividends

For the period ended September 30 (millions of Canadian dollars)	Three months ended **2017**	2016	Nine months ended **2017**	2016
Declared during the year				
Final dividend - prior period: $0.02/share (2016 - $0.05)	**-**	-	**0.5**	1.1
Interim dividend - current period: $0.19/share (2016 - $0.36)	**1.4**	2.8	**4.3**	8.0
	1.4	2.8	**4.8**	9.1

11. OPERATING COSTS

For the period ended September 30 (millions of Canadian dollars)	Three months ended **2017**	2016 (Restated - Notes 19,20)	Nine months ended **2017**	2016 (Restated - Notes 19,20)
Salaries and benefits	**24.5**	24.9	**83.0**	81.1
Maintenance and materials	**10.3**	8.7	**24.1**	21.1
Professional services	**1.1**	2.2	**5.0**	6.6
Rental and royalty expense	**0.4**	0.3	**2.9**	3.4
Travel and transportation	**1.6**	1.2	**5.2**	3.6
Equipment rental	**0.8**	0.7	**1.9**	3.1
Other	**2.0**	2.0	**7.5**	6.7
	40.7	40.0	**129.6**	125.6

12. NET FINANCE EXPENSE

For the period ended September 30 (millions of Canadian dollars)	Three months ended **2017**	2016	Nine months ended **2017**	2016
Finance income				
Interest on sinking fund	**2.6**	3.5	**9.3**	10.4
Interest on reserve fund	**0.1**	0.2	**0.2**	0.6
Other interest income	**0.4**	0.3	**1.2**	0.8
	3.1	4.0	**10.7**	11.8
Finance expense				
Long-term debt	**18.5**	21.1	**60.2**	63.4
Debt guarantee fee	**1.0**	1.1	**3.1**	3.4
Accretion	**0.2**	0.3	**0.6**	0.9
Other interest expense	**1.4**	0.5	**3.1**	0.8
	21.1	23.0	**67.0**	68.5
Interest capitalized during construction	**(3.2)**	(1.2)	**(7.2)**	(2.4)
	17.9	21.8	**59.8**	66.1
Net finance expense	**14.8**	17.8	**49.1**	54.3

13. OTHER (INCOME) EXPENSE

	Three months ended		Nine months ended	
For the period ended September 30 (millions of Canadian dollars)	**2017**	2016	**2017**	2016
Loss on disposal of property, plant and equipment	**(0.1)**	0.2	**0.3**	0.9
Asset disposal costs	**3.4**	0.1	**3.2**	0.3
Net PPA gain	**(3.4)**	2.6	**(3.8)**	(6.1)
Unrealized foreign exchange (gain) loss	**(0.6)**	(0.7)	**(0.5)**	(0.4)
Other	**(0.6)**	-	**(0.6)**	(1.0)
Other (income) expense	**(1.3)**	2.2	**(1.4)**	(6.3)

(a) Net Change in PPA Fair Value

	Three months ended		Nine months ended	
For the period ended September 30 (millions of Canadian dollars)	**2017**	2016	**2017**	2016
PPA gains				
Settlement of realized profit	**(10.9)**	(15.7)	**(30.2)**	(29.0)
Mark-to-market of derivative	**(5.4)**	3.0	**(12.0)**	(23.0)
	(16.3)	(12.7)	**(42.2)**	(52.0)
PPA losses				
Amortization of deferral	**12.9**	15.3	**38.4**	45.9
Net PPA gain	**(3.4)**	2.6	**(3.8)**	(6.1)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

14.1 Fair Value

The estimated fair values of financial instruments as at September 30, 2017 and December 31, 2016 are based on relevant market prices and information available at the time. Fair value estimates are based on valuation techniques which are significantly affected by the assumptions used including the amount and timing of future cash flows and discount rates reflecting various degrees of risk. As such, the fair value estimates below are not necessarily indicative of the amounts that Hydro might receive or incur in actual market transactions.

As a significant number of Hydro's assets and liabilities do not meet the definition of a financial instrument, the fair value estimates below do not reflect the fair value of Hydro as a whole.

Establishing Fair Value

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the nature of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. For assets and liabilities that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1, 2 and 3 fair value measurement for the period ended September 30, 2017 and the year ended December 31, 2016.

As at (millions of Canadian dollars)	Level	Category	Carrying Value	Fair Value	Carrying Value	Fair Value
			September 30, 2017		December 31, 2016	
Financial assets						
Sinking funds - investments in Hydro debt issue	**2**	**HTM**[2]	**44.9**	**54.8**	57.3	71.3
Sinking funds - other investments	**2**	**AFS**[3]	**183.7**	**183.7**	267.0	267.0
Reserve fund	**2**	**AFS**[3]	**14.8**	**14.8**	14.9	14.9
Long-term receivables	**2**	**L&R**[4]	**0.5**	**0.5**	0.5	0.5
Long-term investments	**2**	**HTM**[2]	**34.0**	**34.0**	34.0	34.0
Financial liabilities						
Derivative liabilities	**3**	**FVTPL**[1]	**8.9**	**8.9**	51.1	51.1
Long-term debt (including amount due within one year before sinking funds)	**2**	**OFL**[5]	**1,204.7**	**1,477.3**	1,071.6	1,333.7

1. Fair value through profit or loss
2. Held-to-maturity investments
3. Available-for-sale financial assets
4. Loans and receivables
5. Other financial liabilities

The fair values of cash and cash equivalents, trade and other receivables, short-term borrowings and trade and other payables approximate their carrying values due to their short-term maturity.

The fair values of Level 2 financial instruments are determined using quoted prices in active markets, which in some cases are adjusted for factors specific to the asset or liability. Level 2 fair values of other risk management assets and liabilities and long-term debt are determined using observable inputs other than unadjusted quoted prices, such as interest rate yield curves and currency rates.

Level 3 financial instruments include the derivative liability relating to the PPA with Energy Marketing and represents the future value provided to Energy Marketing through the contract.

The following table summarizes quantitative information about the valuation techniques and unobservable inputs used in the fair value measurement of Level 3 financial instruments as at September 30, 2017:

(millions of Canadian dollars)	Carrying Value	Valuation Techniques	Significant Unobservable Input(s)	Range
Derivative liability (PPA)	8.9	Modelled pricing	Volumes (MWh)	32.0-47.0% of available generation

The derivative liability arising under the PPA is designated as a Level 3 instrument as related volumes are not readily determinable to estimate a portion of the fair value of the derivative liability. Hence, fair value measurement of this instrument is based upon a combination of internal and external pricing and volume estimates. As at September 30, 2017, the effect of using reasonably possible alternative assumptions for volume inputs to valuation techniques may have resulted in a $nil to a +$1.3 million change in the carrying value of the power purchase derivative liability.

14.2 Risk Management

Market Risk

In the course of carrying out its operating, financing and investing activities, Hydro is exposed to possible market price movements that could impact expected future cash flow and the carrying value of certain financial assets and liabilities. Market price movements to which Hydro has significant exposure include those relating to prevailing interest rates, foreign exchange rates, most notably the USD/CAD, and current commodity prices, most notably the spot prices for diesel fuel, electricity, and No. 6 fuel. These exposures are addressed as part of Nalcor's Financial Risk Management Policy.

The components of the change impacting the carrying value of the derivative liability for the period ended September 30, 2017 are as follows:

(millions of Canadian dollars)	**Level II**	**Level III**	**Total**
Balance at January 1, 2017	**-**	**(51.1)**	**(51.1)**
Changes in profit or loss			
Mark-to-market	**-**	**12.0**	**12.0**
Settlements	**-**	**30.2**	**30.2**
Total	**-**	**42.2**	**42.2**
Balance at September 30, 2017	**-**	**(8.9)**	**(8.9)**
Balance, January 1, 2016	1.9	(61.2)	(59.3)
Changes in profit or loss			
Mark-to-market	-	22.9	22.9
Settlements	(1.9)	29.1	27.2
Total	(1.9)	52.0	50.1
Balance at September 30, 2016	-	(9.2)	(9.2)

15. RELATED PARTY TRANSACTIONS

Hydro enters into various transactions with its parent and other affiliates. These transactions occur within the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties. Related parties with which Hydro transacts are as follows:

Related Party	Relationship
Nalcor	100% shareholder of Hydro
Churchill Falls	Joint arrangement of Hydro
The Province	100% shareholder of Nalcor
Twin Falls	Joint venture of Churchill Falls
Energy Marketing	Wholly owned subsidiary of Nalcor
Labrador-Island Link Operating Corporation (LIL Opco)	Wholly owned subsidiary of Nalcor
LCMC	Wholly owned subsidiary of Nalcor
Nalcor Energy – Bull Arm Fabrication Inc.	Wholly owned subsidiary of Nalcor
Nalcor Energy – Oil and Gas Inc.	Wholly owned subsidiary of Nalcor
PUB	Agency of the Province
The Trust	Created by the Province with Churchill Falls as the beneficiary

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Outstanding balances due to or from related parties are non-interest bearing with no set terms of repayment, unless otherwise stated.

(a) On September 29, 2017 Nalcor replaced an intercompany loan in the amount of $225.0 million to Hydro. This loan will mature on March 30, 2018 and has an interest rate of 1.845%.

(b) For the period ended September 30, 2017, Lower Churchill Management Corporation contributed $1.1 million (September 30, 2016 - $13.4 million) in additions to property, plant and equipment.

16. COMMITMENTS AND CONTINGENCIES

(a) Hydro has received claims instituted by various companies and individuals with respect to power delivery claims and other miscellaneous matters. Although the outcome of such matters cannot be predicted with certainty, Management believes that Hydro's exposure to such claims and litigation, to the extent not covered by insurance policies or otherwise provided for, is not expected to materially affect its financial position.

(b) Outstanding commitments for capital projects total approximately $102.5 million as at September 30, 2017 (December 31, 2016 - $153.1 million).

17. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended		**Nine months ended**	
For the period ended September 30 (millions of Canadian dollars)	**2017**	2016	**2017**	2016
Trade and other receivables	**(15.0)**	(3.2)	**29.4**	42.6
Prepayments	**(2.7)**	(1.6)	**(4.5)**	(3.0)
Inventories	**(16.1)**	(9.8)	**(14.8)**	(8.7)
Trade and other payables	**9.3**	7.3	**5.2**	18.5
Changes in non-cash working capital balances	**(24.5)**	(7.3)	**15.3**	49.4
Related to:				
Operating activities	**(33.2)**	(25.3)	**(10.2)**	19.4
Investing activities	**8.7**	18.0	**25.5**	30.0
	(24.5)	(7.3)	**15.3**	49.4

18. SEGMENT INFORMATION

Hydro operates in four business segments. The operating structure as at September 30, 2017 reflects organizational changes that resulted in revised operating segments effective January 1, 2017. The designation of segments is based on a combination of regulatory status and management accountability. Previously reported segmented information has been presented to conform with the current operating structure.

Hydro Regulated activities encompass sales of electricity to customers within the Province that are regulated by the PUB. Hydro Non-Regulated activities include the sale of recapture energy, purchased from Churchill Falls, to mining operations in Labrador West as well as costs of Hydro that are excluded from the determination of customer rates. Churchill Falls operates a hydroelectric generating facility which sells electricity to Hydro-Québec and Hydro. Energy Marketing includes the sale of electricity and transmission to Nalcor Energy Marketing.

(millions of Canadian dollars)	Hydro Regulated	Churchill Falls	Energy Marketing	Non-Regulated Activities	Inter-Segment	Total
	For the nine months ended September 30, 2017					
Energy sales	356.2	64.2	2.4	29.9	(2.3)	450.4
Other revenue	3.6	0.4	15.2	-	1.7	20.9
Revenue	359.8	64.6	17.6	29.9	(0.6)	471.3
Fuels	145.6	-	-	-	-	145.6
Power purchased	46.9	-	2.4	28.8	(2.2)	75.9
Operating costs	97.9	32.1	-	(0.3)	(0.1)	129.6
Transmission rental	-	-	15.2	-	-	15.2
Depreciation and amortization	55.9	13.1	-	-	-	69.0
Net finance expense (income)	49.8	(0.6)	-	-	(0.1)	49.1
Other expense (income)	2.5	(0.1)	(3.9)	-	0.1	(1.4)
Expenses	398.6	44.5	13.7	28.5	(2.3)	483.0
Preferred dividends	-	(1.7)	-	-	1.7	-
(Loss) profit before regulatory adjustments	(38.8)	21.8	3.9	1.4	-	(11.7)
Regulatory adjustments	(73.6)	-	-	-	-	(73.6)
Profit for the period	34.8	21.8	3.9	1.4	-	61.9
Capital expenditures	236.6	32.7	-	0.2	(0.3)	269.2
Total assets	2,453.5	582.4	14.8	17.8	-	3,068.5

(millions of Canadian dollars)	Hydro Regulated	Churchill Falls	Energy Marketing	Non-Regulated Activities	Inter-Segment	Total
	For the nine months ended September 30, 2016					
					(Restated - Notes 19,20)	
Energy sales	381.4	69.4	3.3	29.3	(3.0)	480.4
Other revenue	2.9	0.4	14.4	-	3.1	20.8
Revenue	384.3	69.8	17.7	29.3	0.1	501.2
Fuels	117.6	-	-	-	-	117.6
Power purchased	45.8	-	3.3	28.5	(2.9)	74.7
Operating costs	91.8	32.7	-	1.0	0.1	125.6
Transmission rental	-	-	14.4	-	-	14.4
Depreciation and amortization	51.0	12.1	-	-	-	63.1
Net finance expense (income)	55.0	(0.7)	-	-	-	54.3
Other income	(0.1)	(0.1)	(6.2)	-	0.1	(6.3)
Expenses	361.1	44.0	11.5	29.5	(2.7)	443.4
Preferred dividends	-	(3.1)	-	-	3.1	-
Profit (loss) before regulatory adjustments	23.2	28.9	6.2	(0.2)	(0.3)	57.8
Regulatory adjustments	25.6	-	-	-	-	25.6
(Loss) profit for the period	(2.4)	28.9	6.2	(0.2)	(0.3)	32.2
Capital expenditures	138.5	34.5	-	0.4	-	173.4
Total assets	2,318.0	556.2	17.3	6.5	-	2,898.0

(millions of Canadian dollars)	**Hydro Regulated**	**Churchill Falls**	**Energy Marketing**	**Non-Regulated Activities**	**Inter-Segment**	**Total**
	For the three months ended September 30, 2017					
Energy sales	**71.3**	**16.6**	**1.0**	**9.6**	**(0.8)**	**97.7**
Other revenue	**1.6**	**0.2**	**5.0**	**-**	**0.5**	**7.3**
Revenue	**72.9**	**16.8**	**6.0**	**9.6**	**(0.3)**	**105.0**
Fuels	**20.3**	**-**	**-**	**-**	**-**	**20.3**
Power purchased	**14.1**	**-**	**1.0**	**9.5**	**(0.8)**	**23.8**
Operating costs	**29.6**	**11.1**	**-**	**0.1**	**(0.1)**	**40.7**
Transmission rental	**-**	**-**	**5.0**	**-**	**-**	**5.0**
Depreciation and amortization	**18.7**	**4.4**	**-**	**-**	**-**	**23.1**
Net finance expense (income)	**15.1**	**(0.2)**	**-**	**-**	**(0.1)**	**14.8**
Other expense (income)	**2.4**	**(0.2)**	**(3.6)**	**-**	**0.1**	**(1.3)**
Expenses	**100.2**	**15.1**	**2.4**	**9.6**	**(0.9)**	**126.4**
Preferred dividends	**-**	**(0.5)**	**-**	**-**	**0.5**	**-**
(Loss) profit before regulatory adjustments	**(27.3)**	**2.2**	**3.6**	**-**	**0.1**	**(21.4)**
Regulatory adjustments	**(23.9)**	**-**	**-**	**-**	**-**	**(23.9)**
(Loss) profit for the period	**(3.4)**	**2.2**	**3.6**	**-**	**0.1**	**2.5**
Capital expenditures	**85.9**	**15.6**	**-**	**-**	**(0.3)**	**101.2**
Total assets	**2,453.5**	**582.4**	**14.8**	**17.8**	**-**	**3,068.5**

	Hydro Regulated	Churchill Falls	Energy Marketing	Non-Regulated Activities	Inter-Segment	Total
(millions of Canadian dollars)	For the three months ended September 30, 2016					
					(Restated - Notes 19,20)	
Energy sales	70.2	15.9	1.3	9.1	(1.1)	95.4
Other revenue	1.0	0.1	4.8	-	0.9	6.8
Revenue	71.2	16.0	6.1	9.1	(0.2)	102.2
Fuels	17.4	-	-	-	-	17.4
Power purchased	13.1	-	1.3	9.0	(1.0)	22.4
Operating costs	29.5	10.3	-	0.2	-	40.0
Transmission rental	-	-	4.8	-	-	4.8
Depreciation and amortization	17.2	4.1	-	-	-	21.3
Net finance expense (income)	17.9	(0.1)	-	-	-	17.8
Other (income) expense	(0.2)	(0.2)	2.5	-	0.1	2.2
Expenses	94.9	14.1	8.6	9.2	(0.9)	125.9
Preferred dividends	-	(0.9)	-	-	0.9	-
(Loss) profit before regulatory adjustments	(23.7)	2.8	(2.5)	(0.1)	(0.2)	(23.7)
Regulatory adjustments	(26.5)	-	-	-	-	(26.5)
Profit (loss) for the period	2.8	2.8	(2.5)	(0.1)	(0.2)	2.8
Capital expenditures	77.2	17.1	-	0.2	-	94.5
Total assets	2,318.0	556.2	17.3	6.5	-	2,898.0

19. PRIOR PERIOD ADJUSTMENTS

The January 1, 2016 and the three months and nine months ended September 30, 2016 figures have been restated as a result of a misstatement relating to the calculation of the other post-employment benefit health and dental liabilities for retirees. The January 1, 2016 figures have been restated to reduce reserves by $9.3 million and increase opening retained earnings by $8.7 million.

In addition, January 1, 2016 and September 30, 2016 balances have been restated for contributions received from LCMC that were previously netted. This presentation adjustment has resulted in an increase in property, plant and equipment and contributed capital as of January 1, 2016 of $14.2 million and an increase in property, plant and equipment additions and contributed capital additions of $13.5 million during the period ended September 30, 2016.

The following table summarizes the adjustments to the affected accounts from the previously issued 2016 consolidated financial statements to the current year comparative figures:

Three months ended September 30 (millions of Canadian dollars)	Previously stated 2016	Adjustment 2016	**Restated 2016**
Statement of Profit and Comprehensive Income			
Operating costs*	39.9	0.1	**40.0**
Regulatory adjustments	(26.6)	0.1	**(26.5)**
Statement of Cash Flows			
Profit for the period	3.0	(0.2)	**2.8**
Employee benefits	1.5	2.1	**3.6**
Additions to property, plant and equipment	89.3	4.8	**94.1**

Nine months ended September 30 (millions of Canadian dollars)			
Statement of Profit and Comprehensive Income			
Operating costs*	125.8	(0.2)	**125.6**
Regulatory adjustments	25.7	(0.1)	**25.6**
Statement of Cash Flows			
Profit for the period	31.9	0.3	**32.2**
Employee benefits	4.5	0.7	**5.2**
Additions to property, plant and equipment	157.9	13.5	**171.4**

(millions of Canadian dollars)			
Statement of Changes in Equity			
Contributed capital, January 1	118.7	14.2	**132.9**
Contributed capital for the period ended September 30	0.2	13.3	**13.5**
Employee Future Benefits Reserve, January 1	(30.8)	9.3	**(21.5)**
Retained Earnings, January 1	654.4	8.7	**663.1**
Profit for the period ended September 30	31.9	0.3	**32.2**

* See Note 20 for additional comparative figures changes impacting operating costs

20. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the basis of presentation adopted during the current reporting period. The changes have been summarized as follows:

Three months ended September 30 (millions of Canadian dollars)	Previously reported	Transmission rental reclassification	**Reclassified balance**
Operating costs	44.7	(4.8)	**39.9**
Transmission rental	-	4.8	**4.8**

Nine months ended September 30 (millions of Canadian dollars)			
Operating costs	140.2	(14.4)	**125.8**
Transmission rental	-	14.4	**14.4**