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Board of Commissioners of Public Utilities
120 Torbay Road
Prince Charles Building
St. John's, NL A1A 5B2

Attention: Ms. Cheryl Blundon
Director - Corporate Services & Board Secretary

Grant Thornton LLP
Suite 300
15 International Place
St. John's, NL
A1A 0L4

T +1 709 778 8800
F +1 709 722 7892
www.GrantThornton.ca

June 28, 2017

Dear Ms. Blundon,

Re: *Newfoundland and Labrador Hydro*
2017 Proposed Changes to Customer Rates

INTRODUCTION AND SCOPE

We have completed our review of Newfoundland and Labrador Hydro's (the "Company") ("Hydro") Application filed on June 21, 2017 (the "Application") requesting approval to apply the automatic changes to the Rural Rates as well as Hydro's proposed increase to implement deferred rate increases for Hydro rural customers.

Our procedures were focused on ensuring the methodology and calculations relating to the automatic changes are in accordance with P.U. 14 (2007) and agreed with Newfoundland Power's approved rates, and reviewed the proposal to implement higher than the average rate increases (i.e. Deferred Diesel Rate change) for rural customers approved in P.U. 49 (2016).

The scope of our review is as follows.

1. Confirm Hydro is applying the automatic changes to Isolated Rural Customer Rates, therefore:
 - As Newfoundland Power changes its rates, Hydro will automatically adjust all Hydro rates on the Island Interconnected System and the L'Anse au Loup system such that these customers pay the same rates as Newfoundland Power customers;
 - Isolated Rural Domestic customers, excluding Government departments, pay the same rates as Newfoundland Power for basic customer charge and First Block consumption. Rates charges for consumption above this block will be automatically adjusted by the average rate of change granted Newfoundland Power;

- Rates for Isolated Rural General Service customers, excluding Government departments, will increase or decrease by the average rate of change granted Newfoundland Power; and,
 - As Newfoundland Power changes its rates, Hydro will automatically adjust Rural Isolated street and area lighting rates, excluding those for Government departments, such that these rates are the same as charged Newfoundland Power customers.
2. Recalculate the Isolated Rural Customer Rates found in Schedule A of the Application;
 3. Recalculate the proposed deferred rate increases for Hydro Rural Customers approved in P.U. 49 (2016); and
 4. Confirm that the Company's Schedule of Rates, Rules and Regulations as set out in Schedule B incorporates the revised Isolated Rural Customer Rates.

FINDINGS:

Automatic Changes

The proposed revisions included in the Schedule of Rates, Rules and Regulations includes the automatic changes to Isolated Rural Customer Rates to coincide with Newfoundland Power's approved rates.

The proposed Schedule of Rates, Rules and Regulations also incorporates revisions to the Net Metering Service Option approved by the Board in P.U. 23 (2017) for Newfoundland Power. These revisions were beyond the scope of our report.

Based upon the results of our procedures we did not note any discrepancies in the calculations or methodology and therefore confirm that the Company's calculations in Schedule A of the Application has applied the automatic changes to Isolated Rural Customer Rates effective July 1, 2017.

Deferred Rate Increases

During 2007, the rates for the non-lifetime portion of the Domestic energy rate and small and large general service diesel rates for Isolated Rural non-Government Domestic and General Service Customers were proposed by Hydro to increase by 15% to reflect the increased costs of fuel since the previous general rate application. As a result of OC2006-512 and subsequent directions from Government this rate increase has yet to be implemented.

Hydro's Amended Application filed on November 10, 2014 proposed to implement this rate increase for Isolated Rural Customers. Hydro explained that these higher than average increases result from the combined impact of the 2015 test year forecast change in rates for Island Interconnected customers and the increase in rates to implement the 2007 rate change which was deferred as a result of Government directives. In P.U. 49 (2016), the Board approved Hydro's proposal to implement higher than average rate increases for Hydro Rural non-Government Domestic and General Service customers on isolated systems in accordance with OC2016-104.

The proposed revisions included in Schedule A of the Application incorporates the rate increases for Hydro Rural Non-Government Domestic and General Service customers on isolated systems that are higher than the average increase proposed for the Hydro Rural Interconnected customers.

Based upon the results of our review and recalculations of the deferred rate increase, we did not note any discrepancies in the calculations or methodology.

Schedule of Rates, Rules and Regulations

We confirm that the Company's Schedule of Rates, Rules and Regulations set out in Schedule B of the Application incorporates the revisions to Isolated Rural Customer Rates correctly.

I trust this is the information you requested. If you have any questions please contact me.

Yours sincerely,
Grant Thornton LLP



Steve Power, CPA, CA
Partner