

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

Grant Thornton LLP
15 International Place
St. John's, NL
A1A 0L4
T (709) 778-8800
F (709) 722-7892
www.GrantThornton.ca

November 3, 2017

1

2 Dear Ms. Blundon,

3 **Re: Newfoundland and Labrador Hydro**
4 **2015 and 2016 Supply Cost Recovery Application**

5 We have completed our review relating to Newfoundland and Labrador Hydro's (the
6 "Company's") 2015 and 2016 Supply Cost Recovery Application (the "Application") as it
7 pertains to the calculation of the 2015 and 2016 deferral accounts related to the Isolated System
8 Deferral, Energy Supply Deferral and Holyrood Conversion Deferral accounts.

9 Our procedures with respect to verifying the calculations of the 2015 and 2016 Isolated System
10 Deferral, Energy Supply Deferral and Holyrood Conversion Deferral were directed towards the
11 verification of the data incorporated in the calculations and the deferral account formula used
12 by the Company. Specifically, the procedures which we performed included the following:

- 13 • agreed component data (actual and test year data) to supporting documentation, i.e.:
14 quarterly regulatory reports; the Company's general ledgers; 2015 test year data; and,
15 board orders;
- 16 • checked the clerical accuracy of the deferred account calculations for 2015 and 2016;
17 and,
- 18 • reviewed the formula used in the calculations of the deferral accounts for 2015 and
19 2016 to ensure in compliance with account definitions as approved in P.U. 22 (2017).

20 The allocation methodology and recovery recommendation included in the Application were
21 beyond the scope of our report.

22 The procedures undertaken in the course of our financial analysis do not constitute an audit of
23 the Company's financial information and consequently, we do not express an opinion on the
24 financial information.

25 The results of our review are noted below:

26 Pursuant to P.U. 49 (2016) (“GRA Order”), the Board of Commissioners of Public Utilities
 27 (the “Board”) approved the Company’s proposal to create three new supply cost deferral
 28 accounts to be become effective January 1, 2015: the Isolated Systems Supply Cost Variance
 29 Deferral Account; the Energy Supply Cost Variance Deferral Account; and the Holyrood
 30 Conversion Rate Deferral Account. In the GRA Order, the Board also directed Hydro to file
 31 revised account definitions for each account; which were approved in Order No. P.U. 22
 32 (2017).

33 A summary of the deferral accounts for 2015 and 2016 included in the Application is as
 34 follows:

35

Deferral Accounts	2015	2016	Total
Isolated Systems Deferral	\$ -(i)	\$(2,186,570)	\$(2,186,570)
Energy Supply Deferral	\$14,200,429	\$24,462,996	\$38,663,425
Holyrood Conversion Deferral	\$3,582,048	\$2,150,665	\$5,732,713
Total	\$17,782,477	\$24,427,091	\$42,209,568 (ii)

36 (i) As the balance of the Isolated Systems Deferral did not exceed the \$500,000 Deadband in 2015, the
 37 Company will not recover any of the 2015 supply cost variance.

38 (ii) The net balance of the Deferral Accounts represents a balance due from customers.

39 **CONCLUSION**

40 Based on our review and procedures conducted on the Application, nothing has come to our
 41 attention that the amounts reported, as summarized above, are not in accordance with account
 42 definitions as approved in P.U. 22 (2017).

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

44 Yours sincerely,
 45 **Grant Thornton LLP**

46



47 Steve Power, CPA, CA
 48 Partner
 49