



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

December 5, 2017

Dear Ms. Blundon,

**Re: Newfoundland Power Inc.
2018 Return on Rate Base Application**

We have completed our review as requested in your letter dated November 16, 2017 relating to Newfoundland Power Inc.'s (the "Company's") 2018 Return on Rate Base Application ("Application") as it pertains to the calculations of the 2018 average rate base and rate of return on rate base maintaining the ratemaking common equity ratio and return on common equity.

Our procedures with respect to verifying the calculations of the 2018 forecast average rate base and rate of return on rate base maintaining the ratemaking common equity ratio and return on common equity were directed towards the verification of the data incorporated in the calculations provided by the Company. Specifically, the procedures which we performed included the following:

- agreed carry-forward data to supporting documentation including audited financial statements for 2016 and forecast average rate base information provided by the Company for forecast 2017;
- checked the clerical accuracy of the average rate base calculation, rate of return on rate base and capital structure for 2018; and,
- agreed that the calculations of the average rate base calculation, rate of return on rate base and common equity ratio for 2018 are in compliance with Board's determinations as approved in P.U. 18 (2016).

The results of our review are noted below:

2018 FORECAST AVERAGE RATE BASE CALCULATION

Pursuant to P.U. 18 (2016), the Board of Commissioners of Public Utilities (the “Board”) ordered that the Company file an application on or before November 15, 2017 for approval of the 2018 forecast average rate base and rate of return on rate base maintaining the ratemaking common equity ratio and return on common equity established in the 2016/2017 General Rate Order.

Based on the information provided by the Company in Appendix B of the Application, the average rate base for forecast 2018 is \$1,115,997,000 and the rate of return on rate base is 7.04% in a range of 6.86% to 7.22% based on maintaining the ratemaking common equity ratio and return on common equity.

FINANCIAL METRICS

The following table shows a comparison of the Company’s financial metrics for 2017 test year, 2018 forecast and 2018 pro forma maintaining the ratemaking common equity ratio and return on common equity established in the 2016/2017 General Rate Order:

	2017 Test Year	2018 Forecast	2018 Pro Forma
Average Rate Base (\$000s)	1,104,702	1,115,997	1,115,997
Return on Rate Base (\$000s)	79,440	77,955	78,577
Rate of Return on Rate Base	7.19%	6.99%	7.04%
Rate of Return on Common Equity	8.5%	8.38%	8.50%
Average Capitalization Ratios:			
Total Debt	54.33%	54.69%	54.69%
Preference Shares	0.81%	0.80%	0.80%
Common Equity	44.86%	44.51%	44.51%

The 2018 pro forma calculations by the Company in the Application reflects the requirements of the 2016/2017 General Rate Order of a common equity ratio not to exceed 45% and a rate of return on common equity of 8.5%.

Based upon the results of the above procedures we did not note any discrepancies in the calculation of the 2018 forecast and pro forma average rate base, return on rate base, rate of return on rate base, rate on return of common equity, and capital structure; and therefore conclude that these calculations included in the Appendices of Schedule 1 of the Company’s Application is in accordance with Board Orders.

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