



Grant Thornton

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Attention: Ms. Cheryl Blunden:

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October 18, 2021

Dear Ms. Blunden,

**Re: Newfoundland and Labrador Hydro
2020 Average Rate Base**

We have completed our review as requested in your letter dated August 18, 2021 relating to Newfoundland and Labrador Hydro's ("the Company's") ("Hydro") 2022 Capital Budget Application (Volume 1, Schedule 5) as it pertains to the computation of the 2020 average rate base for which the Company requests Board of Commissioners of Public Utilities ("Board") approval.

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

Our procedures with respect to verifying the calculation of the average rate base were directed towards the verification of the data incorporated in the calculations and the methodology used by the Company. Specifically, the procedures which we performed included the following:

- agreed all carry-forward data to supporting documentation including audited financial statements and internal accounting records, where applicable;
- agreed component data (capital expenditures; depreciation; etc.) to supporting documentation;
- checked the clerical accuracy of the continuity of the rate base for 2020; and,
- agreed the methodology used in the calculation of the average rate base to the Public Utilities Act to ensure it is in accordance with Board Orders and established policy and procedure.

2020 Average Rate Base Calculation

We noted that the 2020 average rate base of \$2,310,559,000 presented in the 2022 Capital Budget Application agrees to the 2020 Annual Return.

During our review of the 2020 average rate base we did not note any exceptions. The table below presents the average rate base for 2020 consistent with Schedule 5 as filed by Hydro on August 2, 2021:

Table 1: Hydro's Average Rate Base

(000's)	<u>2020</u>
Total Capital Assets	\$ 2,158,515
<u>Deduct Items Excluded from Rate Base</u>	
Work in Process	(24,988)
Asset Retirement Obligations (net of amortization)	<u>(768)</u>
Net Capital Assets	2,132,758
Net Capital Assets, Previous Year	<u>2,115,068</u>
Unadjusted Average Capital Assets	2,123,913
<u>Deduct</u>	
Average Net Capital Assets Excluded from Rate Base	<u>(8,257)</u>
Average Capital Assets	2,115,656
Cash Working Capital Allowance	1,409
Fuel Inventory	54,075
Supplies Inventory	38,438
Average Deferred Charges	<u>100,981</u>
Average Rate Base at Year-End	<u>\$ 2,310,559</u>

Note 1 - Rounding differences in above table due to presentation.

We reviewed Hydro's average rate base as summarised in Table 1. We conclude, based on our procedures, that the 2020 average rate base reflected in Volume 1, Schedule 5 is in accordance with established practice and relevant Board Orders.

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

Yours sincerely,
Grant Thornton LLP



Barry Griffiths, CPA, CA
Principal