

Board of Commissioners of Public Utilities  
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**Attention: Ms. Cheryl Blundon**  
**Director - Corporate Services & Board Secretary**

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June 14, 2017

Dear Ms. Blundon,

**Re: *Newfoundland Power Inc.***  
***2017 Proposed Changes to Customer Rates***

### **INTRODUCTION AND SCOPE**

We have completed our review of Newfoundland Power Inc.'s (the "Company") Application on June 2, 2017 ("Application") requesting approval of the Rate Stabilization Adjustment ("RSA") and Municipal Tax Adjustment ("MTA") to be applied to the rates of the Company for the period July 1, 2017 to June 30, 2018 pursuant to Section 71 of the Public Utilities Act. We also reviewed the incorporation of the Utility base rates submitted by Newfoundland and Labrador Hydro ("Hydro") on May 18, 2017 in a revised application ("Revised Compliance Application") to set rates to be effective July 1, 2017.

Our procedures were focused on ensuring the methodology and calculations relating to the RSA, the MTA and Utility base rates were in compliance with Board Orders. More specifically, our procedures with respect to confirming the Company's calculations in Schedules 2 and 3 included agreeing the various components to source data. We also reviewed the amendments to the Rates, Rules and Regulations.

The scope of our review is as follows.

1. Confirm the calculation, found in Schedule 2, of the Rate Stabilization Adjustment ("RSA") of (0.195) cents/kWh;
2. Confirm the calculation, found in Schedule 3, of the Municipal Tax Adjustment ("MTA") factor of 1.02806;
3. Ensure the calculations included in Schedules 2 and 3 are in accordance with Board Orders;

4. Ensure the new RSP rates for the Fuel Rider and the March 31st Balance effective July 1, 2017, which was proposed by Hydro in its Revised Compliance Application, are incorporated into the calculation of the RSA;
5. Ensure the Company's schedule of Rates, Rules and Regulations as set out in Schedule 4 incorporates the decrease in the Utility base rate proposed by Hydro in the Revised Compliance Application, and the 2017 RSA and MTA adjustments included in the Application.
6. Review the appropriateness of the amendments to the Rates, Rules and Regulations included in the Application.

### **FINDINGS:**

#### ***Utility Base Rates, RSA and MTA***

Based upon the results of our procedures we can advise that we did not note any discrepancies in the calculations or methodology and therefore:

- Confirm that the Company's calculation in Schedule 2 of the Application, which represents the Rate Stabilization Adjustment effective July 1, 2017 of (0.195) cents per kWh, is appropriate. During our review we noted that the Company has proposed that Hydro's CDM cost recovery adjustment is recovered through the RSA. As part of our procedures we confirmed that the calculation of the RSA incorporates the CDM recovery adjustment appropriately.
- Confirm that the Company's calculation in Schedule 3 of the Application, which represents the Municipal Tax Adjustment factor effective July 1, 2017 of 1.02806, is appropriate.
- Confirm that the new RSP rates for the Fuel Rider and the March 31<sup>st</sup> Balance effective July 1, 2017 as proposed by Hydro in the Revised Compliance Application are appropriately incorporated into the calculation of the RSA and MTA.
- Confirm that the Company's schedule of Rates, Rules and Regulations as set out in Schedule 4 incorporates the Utility base rate proposed by Hydro in the Revised Compliance Application filed, and the 2017 RSA and MTA adjustments included in the Application.

#### ***Rates, Rules and Regulations amendments***

Schedule 4 of the Application provides a proposed Schedule of Rates, Rules and Regulations to be approved by the Board effective July 1, 2017. The proposed revisions to the *Rate Stabilization Clause* included in the Schedule of Rates, Rules and Regulations include:

- Hydro's CDM Cost recovery adjustment

- Flow through of Purchased Power costs
- Maximum Monthly Charge for General Service customers

The proposed Schedule of Rates, Rules and Regulations also incorporates revisions to the Net Metering Service Option approved by the Board in P.U. 17 (2017). These revisions were beyond the scope of our report.

Based upon the results of our review of the revised Rate Stabilization Clause we can advise that we did not note any issues of concern and therefore:

- Confirm that the revised Schedule of Rates, Rules and Regulations appropriately incorporates Hydro's CDM Cost Recovery adjustment in the calculation of the Company's recovery adjustment factor of the RSA in paragraph I Rate Stabilization Adjustment ("A").
- Confirm that the revised Schedule of Rates, Rules and Regulations appropriately removes the exception that previously applied to the Maximum Monthly Charge in paragraph III approved in P.U. 13 (2013) and P.U. 23 (2013).

Newfoundland Power has proposed that the paragraph II.4 is revised to reflect the flow through of Hydro's final Utility Base Rate so that any required flow through operates as of December 31, 2017. We did not note any issue with this proposal.

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