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August 6, 2026

Dear Mr. McNiven,

Re: Newfoundland Power Inc.
2027 Capital Budget Application

We have completed our review as requested on June 12, 2026 relating to Newfoundland Power Inc.'s (the "Company's") 2027 Capital Budget Application (the "Application"). Specifically, we have considered the calculation of the 2025 actual average rate base and the calculations of rate base additions, deductions and allowances.

The procedures undertaken during 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.

The results of our review for each required task are noted below:

1 2025 Average rate base calculation

Pursuant to Order No. P.U. 32 (2007), the Board of Commissioners of Public Utilities (the "Board") approved the Company's proposal to complete its transition to the Asset Rate Base Method ("ARBM") commencing January 1, 2008. The actual average rate base for 2025 as calculated by the Company under the ARBM and provided in Schedule D of its Application is $1,419,718,000 which is an increase of $62,527,000 (4.6%) over the average rate base for 2024 of $1,357,191,000.

The net change in the Company's average rate base from 2024 to 2025 can be summarized as follows:

($000s)	2024	2025
Average rate base - opening balance	1,290,079	1,357,191
Change in average deferred charges and deferred regulatory costs	8,714	13,785
Average change in:		
Plant in service	112,587	103,917
Accumulated depreciation	(44,931)	(47,717)
Contributions in aid of construction	(1,313)	150
Customer finance programs	(212)	(49)
Demand management incentive account	826	(489)
Weather normalization reserve	1,840	(1,143)
Other post-employment benefits	(3,079)	(2,093)
Deferred income taxes	(7,606)	(2,035)
Refundable investment tax credits	(147)	130
Other rate base components (net)	220	(155)
Excess earnings	-	1,857
Rate base allowances	212	(3,631)
Average rate base - ending balance	**$ 1,357,191**	**$ 1,419,718**

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 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 2025; 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.

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Based upon the results of the above procedures we did not note any discrepancies in the calculation of the 2025 average rate base, and therefore conclude that the 2025 average rate base included in Schedule D of the Company's Application is in accordance with established practice and Board Orders.

2 Rate base additions, deductions and allowances

The report provides a review of all additions, deductions and allowances included in the rate base.

2.1 Rate base additions

The actual additions in 2024 and 2025 as presented by the Company are as follows:

($000's)	2024	2025
Deferred Pension Costs	108,293	109,843
Credit Facility Issue Costs	167	161
Cost Recovery Deferral – Conservation	21,280	21,475
Cost Recovery Deferral – Revenue Shortfall	-	17,156
Cost Recovery Deferral – Load Research and Retail Rate Design Review	635	986
Cost Recovery Deferral - Hearing Costs	874	560
Cost Recovery Deferral – Pension Capitalization	1,198	849
Customer Finance Programs	1,049	1,101
Demand Management Incentive Account	1,545	-
Total Additions	**$ 135,041**	**$ 152,131**

Source: Newfoundland Power Inc. - 2027 Capital Budget Application - Report on Rate Base: Additions, Deductions & Allowances - Table 1

Deferred Pension Costs

Deferred pension costs are the result of the pension funding exceeding the pension expense as determined in accordance with the recommendations of U.S. GAAP. As detailed in the table below, pension plan funding was $1,269,000 and $1,039,000 in 2024 and 2025, respectively. Pension plan recovery experienced an increase of $5,594,000 in 2024 and an increase of $511,000 in 2025 to Deferred Pension Costs.

($000's)	2024	2025
Deferred Pension Costs, January 1	101,430	108,293
Pension Plan Funding	1,269	1,039
Pension Plan (Expense) Recovery	5,594	511
(Decrease)/ Increase in Deferred Pension Costs	6,863	1,550
Deferred Pension costs, December 31	**$ 108,293**	**$ 109,843**

Source: Newfoundland Power Inc. - 2027 Capital Budget Application - Report on *Rate Base: Additions, Deductions & Allowances* - Table 2

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Deferred pension costs represent the difference in Newfoundland Power's defined benefit pension plan funding and expense. Deferred pension recovery decreased from $5,594,000 in 2024 to $511,000 in 2025 primarily due to a decrease in expected return on plan assets and increase in amortization of net loss. The pension expense amounts have been agreed to schedules provided by the Company's actuary.

Credit facility costs

The credit facility issue costs represent unamortized costs associated with credit facility amendments as these costs have not yet been reflected in the Company's revenue requirement.

In August 2025, the committed credit facility was renegotiated to extend its maturity date to August 2030. Costs related to this amendment totalled $46,000 and are being amortized over the five-year life of the agreement, beginning in 2025.

Cost recovery deferral – Conservation

On April 17, 2013, the Board issued Order No. P.U. 13 (2013) and approved the deferral of annual customer energy conservation program costs and the amortization of annual costs over seven years beginning in 2014 with recovery through the Rate Stabilization Account ("RSA"). In Order No. P.U. 3 (2022), the Board approved the amortization of annual costs over 10 years, commencing January 1, 2021 for historical balances and annual charges.

Based on our review of deferred cost recovery relating to conservation and amortization of annual costs, we confirm that we have not noted any discrepancies or unusual items, and it is consistent with approved Board Orders.

Cost recovery deferral – Revenue shortfall

In Order No. P.U. 3 (2025), the Board approved the deferred cost recovery of a forecast revenue shortfall for 2025 of $30.6 million ($21.4 million after-tax) resulting from the Company's 2025/2026 General Rate Application and the subsequent amortization of the forecast revenue shortfall over a 30-month period beginning on July 1, 2025.

Based on our review of the deferred cost recovery relating to the 2025 Revenue Shortfall and amortization, we confirm that we have not noted any discrepancies or unusual items, and it is consistent with Order No. P.U. 3 (2025)

Cost recovery deferral – Load research and retail rate design review

In Order No. P.U. 3 (2022), the Board approved the deferral of costs incurred in conducting a Load Research Study and a Retail Rate Design Review. In 2025, costs of $501,000 ($351,000 tax effected) have been deferred.

Cost recovery deferral – Hearing costs

The Board accepted the Settlement Agreement for forecast hearing costs of up to $1.0 million in estimated heating costs related to the Company's 2025/2026 General Rate Application in

Order No. P.U. 3 (2025). These costs are to be amortized over the period of July 1, 2025 to December 31, 2027. As at December 31, 2025, actual hearing costs were $800,000 ($560,000 after tax). According to Order No. P.U. 3 (2025), any difference between actual costs and the estimated costs will be recovered or rebated through the RSA.

Cost recovery deferral – Pension capitalization

The Pension Capitalization Cost Deferral Account was approved in Order No. P.U. 3 (2022) to amortize these costs over a five-year period. Per Order No. P.U.3 (2025), as of December 31, 2024, charges to the account are ceased. Based on our review of the amortization of annual costs, we confirm that we have not noted any discrepancies or unusual items, and it is consistent with approved Board Orders.

Customer finance programs

As indicated by the Company, Customer Finance Programs are loans provided to customers for purchase and installation of products and services related to conservation programs and contributions in aid of construction.

Demand management incentive account

The disposition of the December 31, 2024 balance in the Demand Management Incentive Account (“DMI”) to the RSA as of March 31, 2025 was approved in Order No. P.U. 14 (2025). Per Order No. P.U. 3 (2025), the Board accepted the Settlement Agreement recommendation to amend the DMI account definition to establish a threshold of +/- $500,000 effective January 1, 2025. Given that the variance between actual and test year unit demand costs was within the +/- $500,000 threshold, the Company absorbed the additional purchased power expense and there was no transfer to the RSA for recovery from customers.

2.2 Rate base deductions

The actual figures for 2024 and 2025 as presented by the Company are as follows:

($000’s)	2024	2025
Other Post-Employment Benefits (“OPEBs”)	86,308	88,543
Customer Security Deposits	618	688
Accrued Pension Liabilities	5,512	5,671
Accumulated Deferred Income Taxes	33,287	34,678
Weather Normalization Reserve	2,896	(4,035)
Refundable Investment Tax Credits	294	33
Excess Earnings Account	-	-
Total Deductions	**$ 128,915**	**$ 125,578**

Source: Newfoundland Power Inc. – 2027 Capital Budget Application - Report on *Rate Base: Additions, Deductions & Allowance*s - Table 11.

Our comments with respect to the deductions to rate base are noted below:

OPEBs liability

The Company's OPEBs are comprised of retirement allowances for retiring employees, as well as health, medical and life insurance for retirees and their dependents. In Order No. P.U. 31 (2010), the Board approved, beginning in 2011, the adoption of the accrual method of accounting for OPEBs and related income tax. In addition, the Board approved a 15-year straight line amortization of a transitional balance starting in 2011. The total amount of the deduction to rate base related to OPEBs for 2025 is $88,543,000. The 2024 and 2025 OPEBs are consistent with calculations provided by the Company's actuary.

Customer security deposits

Customer Security Deposits are provided by customers in accordance with the Schedule of Rates, Rules and Regulations. As part of the transition to ARBM, in 2008 the inclusion of Customer Security Deposits is required as a component of rate base.

Accrued pension obligation

Accrued pension obligation represents the executive and senior management supplemental pension benefits comprised of a defined benefit plan (Pension Uniformity Plan - PUP) and a defined contribution plan (Supplementary Employee Retirement Plan - SERP). The balance represents the cumulative costs of these unfunded plans, net of associated benefit payments.

As part of the transition to ARBM, in 2008 the inclusion of accrued pension liabilities was required as a component of rate base. The 2024 and 2025 PUP are consistent with calculations provided by the Company's actuary. The Company is the designated administrator responsible for the overall administration, interpretation, and application of the SERP. The liability is determined by the Company in accordance with the terms of the SERP.

Accumulated deferred income taxes

Deferred income taxes arise due to the Board's approval of the Company's use of tax accrual accounting related to plant investment, pension costs and other employee future benefit costs. Accumulated deferred income taxes increased from $33,287,000 in 2024 to $34,678,000 in 2025. We recalculated the accumulated deferred income tax balances and compared the result to the annual return filed by the Company. During this review we did not note any differences in the calculation or inconsistencies within the information provided by the Company.

Weather normalization reserve

The disposition of the December 31, 2025 balance in the Weather Normalization Reserve account to the RSA as of March 31, 2026 was approved by the Board in Order No. P.U. 10 (2026).

Refundable investment tax credits

The Refundable Investment Tax Credit relates to the scientific research and experimental Development (SR&ED) tax incentives that are recognized into income in a way that is consistent with the amortization of the capital assets to which they relate.

Excess earnings account

The Board approved the definition of the Excess Earnings Account in Order No. P.U. 23 (2013). In 2025, there was no balance in the Excess Earnings Account, as the full balance was transferred to the RSA in 2024.

2.3 Rate base allowances

The cash working capital ("CWC") allowance, together with the materials and supplies allowance, make up the total allowances that are included in Newfoundland Power's rate base. It represents the average amount of investor-supplied working capital necessary to provide service. The CWC allowance for 2025 is calculated based on the methodology used in the calculation of the 2025 Test Year average rate base approved by the Board in Order No. P.U. 23 (2025). Additionally, the 2025 materials and supplies allowance used an expansion factor of 13.27% which is consistent with the factor used to calculate the 2025 and 2026 Test Year average rate base approved in Order No. P.U. 23 (2025).

Based on our review of the rate base allowances, we have not noted any discrepancies or unusual items, and 2025 is consistent with 2025 test year data.

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

Yours sincerely,
Doane Grant Thornton LLP

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