



# Grant Thornton

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Board of Commissioners of Public Utilities  
120 Torbay Road  
Prince Charles Building  
St. John's, NL  
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**Attention: Ms. Cheryl Blundon**

October 3, 2018

Dear Ms. Blundon,

**Re: Newfoundland and Labrador Hydro - 2013 and 2014 Rate Base**

We have completed our review as requested in your letter dated August 13, 2018 relating to Newfoundland and Labrador Hydro (the "Company's") 2019 Capital Budget Application (Section I) as it pertains to the computation of the 2013 and 2014 average rate base for which the Company requests 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.

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

### **2013 Average Rate Base Calculation**

We noted that the 2013 average rate base of \$1,546,930,000 presented in the 2019 Capital Budget Application differs from the 2013 average rate base of \$1,549,685,000 approved in Order No. P.U. 22 (2017). The balance of \$1,546,930,000 as originally filed was incorrect and did not properly reflect the Board's approval of the Prudence Compliance Application in Order No. P.U. 13 (2016) related to the Labrador City terminal station project and Black Tickle fire restoration project. We have been advised by management that the Company will be amending the 2019 Capital Application to reflect the removal of the proposal for the approval of the 2013 average rate base as it has already been approved by the Board in Order No. P.U. 22 (2017).

### **2014 Average Rate Base Calculation**

The average rate base for 2014 as calculated by the Company and provided in Section I, Page I1 of its 2019 Capital Budget Application is \$1,620,982,000.

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:

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- agreed all carry-forward data to supporting documentation including audited financial statements and internal accounting records, where applicable;
- agreed component data (total capital assets; average deferred charges; etc.) to supporting documentation;
- checked the clerical accuracy of the continuity of the rate base for 2014; 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.

Based upon the results of the above procedures we did not note any discrepancies in the calculation of the 2014 average rate base, and therefore conclude that the average rate base included in Section I of the Company's Application is in accordance with established practice and 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