

Board of Commissioners of Public Utilities
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St. John's, NL A1A 5B2

Attention: Ms. Jo Garlarneau

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September 25, 2023

Dear Ms. Garlarneau,

**Re: Newfoundland and Labrador Hydro
2022 Average Rate Base**

We have completed our review as requested in your correspondence dated August 3, 2023 relating to Newfoundland and Labrador Hydro's ("the Company's") ("Hydro") 2024 Capital Budget Application (Schedule 5) as it pertains to the computation of the 2022 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 2022; 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.

2022 Average Rate Base Calculation

We noted that the 2022 average rate base of \$2,334,120,000 presented in the 2024 Capital Budget Application agrees to the 2022 Annual Return.

The table below presents the average rate base for 2022 consistent with Schedule 5 as filed by Hydro on July 12, 2023:

Table 1: Hydro's Average Rate Base

(000's)	<u>2022</u>
Capital Assets - Return 4	\$2,869,697
Work in Process	22,755
	<u>2,892,452</u>
Deduct	
Accumulated Depreciation - Return 6	654,859
Contribution in Aid of Construction - Return 7	50,987
	<u>2,186,606</u>
Total Capital Assets	2,186,606
Deduct Items Excluded from Rate Base:	
Work in Progress	(22,755)
Asset Retirement Obligations (net of amortizations)	(2,734)
Net Capital Assets	<u>2,161,117</u>
Net Capital Assets, Previous Year	<u>2,165,756</u>
Unadjusted Average Capital Assets	2,163,437
Deduct	
Average Net Capital Assets Excluded from Rate Base	(8,628)
Average Capital Assets	<u>2,154,809</u>
Cash Working Capital Allowance - Return 8	10,312
Fuel Inventory - Return 10	70,512
Supplies Inventory - Return 10	38,856
Average Deferred Charges - Return 11	<u>59,632</u>
Average Rate Base at Year-End - Return 12	<u><u>\$2,334,120</u></u>

We reviewed Hydro's average rate base as summarised in Table 1. We conclude, based on our procedures, that the 2022 average rate base reflected in 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 me.

Yours sincerely,
Grant Thornton LLP



Barry Griffiths, CPA, CA
Principal