

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

**Attention: Jo-Anne Garlarneau
Executive Director and Board Secretary**

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October 4, 2024

Dear Ms. Garlarneau,

**Re: Newfoundland and Labrador Hydro
2023 Average Rate Base**

We have completed our review as requested in your correspondence dated July 30, 2024 relating to Newfoundland and Labrador Hydro's ("the Company's") ("Hydro") 2025 Capital Budget Application (Schedule 6) as it pertains to the computation of the 2023 average rate base for which the Company requests approval from the Board of Commissioners of Public Utilities (the "Board").

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 2023; 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.

2023 Average Rate Base Calculation

We noted that the 2023 average rate base of \$2,329,352,000 presented in the 2025 Capital Budget Application agrees to the 2023 Annual Return.

The table below presents the average rate base for 2023 consistent with Schedule 6 as filed by Hydro on July 16, 2024:

Table 1: Hydro's 2023 Average Rate Base

(000s)	2023
Capital Assets - Return 4	\$ 2,972,380
Work in Progress	59,596
	3,031,976
Deduct	
Accumulated Depreciation - Return 6	(713,461)
Contribution in Aid of Construction - Return 7	(50,154)
Total Capital Assets	2,268,361
Deduct Items Excluded from Rate Base:	
Work in Progress	(59,596)
Asset Retirement Obligations (net of amortizations)	(11,237)
Electric Vehicle Charger Elimination	(639)
Net Capital Assets	2,196,889
Net Capital Assets, Previous Year	2,161,118
Unadjusted Average Capital Assets	2,179,004
Deduct	
Average Net Capital Assets Excluded from Rate Base	(7,811)
Average Capital Assets	2,171,193
Cash Working Capital Allowance - Return 8	702
Fuel Inventory - Return 10	57,802
Supplies Inventory - Return 10	41,349
Average Deferred Charges - Return 11	58,306
Average Rate Base at Year-End - Return 12	\$ 2,329,352

We reviewed Hydro's average rate base as summarised in Table 1. We conclude, based on our procedures, that the 2023 average rate base reflected in Schedule 6 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,

**Doane
Grant Thornton LLP**



Barry Griffiths, CPA, CA
Principal