Grant Thornton

Board of Commissioners of Public Utilities

Financial Consultants Report
2022 Annual Financial Review of
Newfoundland Power Inc.

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Restrictions, Qualifications and Independence

Purpose

This report was prepared for the Board of Commissioners of Public Utilities ("the Board") in Newfoundland and Labrador. The purpose of our engagement was to present our observations, findings and recommendations with respect to our 2022 annual financial review of Newfoundland Power Inc. ("the Company") ("Newfoundland Power").

Restrictions and Limitations

This report is not intended for general circulation or publication nor is it to be reproduced or used for any purpose other than that outlined herein without our prior written permission in each specific instance. Notwithstanding the above, we understand that our report may be disclosed as a part of a public hearing process and will also be available on the Board's website. We have given the Board our consent to use our report for these purposes.

This report shall be solely for the benefit of the Board and not for the benefit of any third party and may be relied upon only for the purpose for which the report is intended as contemplated and/or defined within the engagement. Grant Thornton recognizes no responsibility whatsoever, other than that owed to the Board as at the date on which the report is given to the Board by Grant Thornton, for any unauthorized use of or reliance on the report.

Our scope of work is as set out in our terms of reference letter, which is referenced throughout this report. The procedures undertaken in the course of our review do not constitute an audit of Newfoundland Power's financial information and consequently, we do not express an opinion on the financial information provided by Newfoundland Power. In preparing this report, we have relied upon information provided by Newfoundland Power.

We reserve the right, but will be under no obligation, to review and/or revise the contents of this report in light of information which becomes known to us.

Executive Summary

This report to the Board presents our observations and findings with respect to our 2022 Annual Financial Review of Newfoundland Power. Below is a summary of the key observations and findings included in our report.

- The average rate base for 2022 was $1,230,434,000 which is an increase of $27,488,000 (2.29%) over the average rate base for 2021 of $1,202,946,000. The Company's calculation of the return on average rate base for 2022 was 6.72% (2021 – 6.74%) compared to an approved rate of return of 6.61%. The actual rate of return was within the range approved by the Board (6.43% to 6.79%). The calculations of average rate base and rate of return on average rate base are in accordance with established practice and Board Orders.

- The Company's calculation of average common equity and return on average common equity for the year ended December 31, 2022 was $535,188,000 (2021 – $521,048,000). The Company's actual return on average common equity for 2022 was 8.95% (2021 – 8.88%). In Order No. P.U. 32 (2007), the Board ordered that if in a given year the actual rate of return on equity ("ROE") is greater than 50 bps above the test year calculation of the cost of equity for the same year, the Company must file a report with its annual return explaining the facts and circumstances contributing to the difference. In 2022 the approved cost of common equity was 8.50% as per Order No. P.U. 3 (2022). The actual return on average common equity for 2022 was 8.95% as noted above. This return was within the 50-basis point limit and as such no report was required.

- Total actual capital expenditures (excluding capital projects carried forward from prior years) were 8.81% under budget in 2022. Total capital expenditures (including projects carried over from prior years) were over the approved budget on a net basis by $10,126,000 (6.75%). However, for each category of expenditure, the variances ranged from an over-budget of 25.11% to an under-budget of 100.00%.

- The Company experienced a 0.30% increase in revenue from rates in 2022 as compared to 2021. The increase is primarily due to higher electricity sales to residential customers.

- Overall, net operating expenses decreased by $1,569,000 from 2021 to 2022. Significant operating expense variances are discussed in our report. We conducted an examination of other costs including purchased power, depreciation, interest, and income taxes and have noted that nothing has come to our attention to indicate that these costs for 2022 are unreasonable.

- During our review of non-regulated expenses, nothing came to our attention to indicate that the amounts reported are unreasonable or not in accordance with Board Orders.

- Our analysis of the Company's regulatory assets and liabilities indicated that all were in accordance with applicable Board Orders.

- The 2021 Pension Expense Variance Deferral Account ("PEVDA") operated in accordance with Order No. P.U. 43 (2009).

- The 2021 Other Post-Employment Benefits Cost Variance Deferral Account ("OPEBVDA") operated in accordance with Order No. P.U. 31 (2010).

- The Company continues to undertake initiatives aimed at improving reliability of service and efficiency of operations as is summarized in the Section entitled 'Productivity and Operating Improvements'. During 2022 the Company met four out of nine of its planned performance measures. The Company fell short of its targets in "Outage Hours/Customer (SAIDI)", "Outage/Customer (SAIFI)", "Plant Availability", "All Injury/Illness Frequency Rate" and "Gross Operating Cost/Customer" as discussed later in this report.

Introduction

This report to the Board presents our observations and findings with respect to our 2022 Annual Financial Review of Newfoundland Power.

Scope and Limitations

Our analysis was carried out in accordance with the following Terms of Reference:

1. Examine the Company's system of accounts to ensure that it can provide information sufficient to meet the reporting requirements of the Board.

2. Review the Company's calculations of return on rate base, return on equity, embedded cost of debt, capital structure and interest coverage to ensure that they are in compliance with Board Orders.

3. Conduct an examination of operating and administrative expenses, purchased power, depreciation, interest and income taxes to review them in relation to sales of power and energy and their compliance with Board Orders.

   Our examination of the foregoing will include, but is not limited to, the following expense categories:

   - advertising;
   - amortization of regulatory costs;
   - bad debts (uncollectible bills);
   - company pension plan;
   - conservation and demand management;
   - costs associated with curtailable rates;
   - donations;
   - general expenses capitalized (GEC);
   - income taxes;
   - interest and finance charges;
   - membership fees;
   - miscellaneous;
   - non-regulated expenses;
   - purchased power;
   - salaries and benefits, and
   - travel.

4. Review intercompany charges and assess compliance with Board Orders including requirements for additional reports pursuant to Order No. P.U. 19 (2003), Order No. P.U. 32 (2007), Order No. P.U. 43 (2009), and Order No. P.U. 13 (2013).

5. Examine the Company's 2022 capital expenditures in comparison to budgets and prior years and follow up on any significant variances. Included in this review will be an analysis of amounts included in 'Allowance for Unforeseen Items'.

6. Review the Company's rates of depreciation and assess their compliance with the Gannett Fleming 2019 Depreciation Study and review the calculations of depreciation expense.

7. Review Minutes of Board of Directors' meetings.

8. Review the Company's initiatives with respect to productivity improvements, rationalization of operations and expenditure reductions. Inquire as to the Company's reporting on key performance indicators.

9. Conduct an examination of the changes to deferred charges and regulatory deferrals.

10. Conduct an examination of the pension expense variance deferral account to assess compliance with Order No. P.U. 43 (2009).

11. Conduct an examination of the OPEBs Cost Variance Deferral Account and the amortization of the Company's transitional balance to assess compliance with Order No. P.U. 31 (2010).

The nature and extent of the procedures which we performed in our financial review varied based on the nature of the items listed above. In general, our procedures were comprised of:

- inquiry and analytical procedures with respect to financial information as provided by the Company; and
- examination of, on a test basis where appropriate, documentation supporting amounts included in the Company's records.

The financial statements of the Company for the year ended December 31, 2022 have been audited by Deloitte LLP, Chartered Professional Accountants, who have expressed their unqualified opinion on the fairness of the statements in their report dated February 9, 2023. In the course of completing our procedures we have, in certain circumstances, referred to the audited financial statements and the historical financial information contained therein.

System of Accounts

Scope: ***Examine the Company's system of accounts to ensure that it can provide information sufficient to meet the reporting requirements of the Board.***

Section 58 of the *Public Utilities Act* permits the Board to prescribe the form of accounts to be maintained by the Company.

The objective of our review of the Company's accounting system and code of accounts was to ensure that it can provide information sufficient to meet the reporting requirements of the Board. We have observed that the Company has in place a well-structured, comprehensive system of accounts and organization/reporting structure. The system allows for adequate flexibility to allow the Company to meet its own and the Board's reporting requirements.

On March 31, 2023, the Company filed its 2022 Annual Report to the Board. The Company noted the addition of new accounts related to the Load Research and Rate Design Cost Deferral and the Electrification Cost Deferral. The addition of these accounts was approved in Order No. P.U. 3 (2022). The Company also noted some updated accounting definitions and minor wording changes to improve the clarity and accuracy of account descriptions.

Based upon our review of the Company's financial records we have found that they are in compliance with the system of accounts approved by the Board. The system of accounts is comprehensive and well-structured and provides adequate flexibility for reporting purposes.

Return on Rate Base and Equity, Capital Structure and Interest Coverage

Scope: ***Review the Company's calculations of return on rate base, return on equity, capital structure and interest coverage to ensure that they are in compliance with Board Orders.***

Calculation of Average Rate Base

The Company's calculation of its average rate base for the year ended December 31, 2022 which is included on Return 3 of the annual report to the Board was calculated using the Asset Rate Base Method ("ARBM"). The average rate base for 2022 was $1,230,434,000 which is an increase of $27,488,000 (2.29%) over the average rate base for 2021 of $1,202,946,000. The increase was primarily a result of an increase in plant investment.

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.

The following table summarizes the components of the average rate base for 2022 and 2021 (all figures shown are averages):

(000)'s	2022	2021
Net Plant Investment (average)		
Plant Investment	$ 2,141,160	$ 2,062,375
Accumulated Depreciation	(892,125)	(848,714)
Contributions in aid of construction	(44,976)	(44,569)
	1,204,059	1,169,092
Additions to Rate Base (average)		
Deferred Charges (a)	92,083	89,465
Cost Recovery Deferral – Conservation (b)	17,890	16,735
Customer Finance Programs (c)	1,614	1,927
Cost Recovery Deferral for Hearing Costs (d)	-	124
Cost Recovery Deferral – 2022 Revenue Shortfall (e)	230	-
Cost Recovery Deferral – Load Research & Rate Design (f)	10	-
Demand Management Incentive Account (g)	618	1,172
	112,445	109,423
Deductions from Rate Base (average)		
Weather Normalization Reserve (h)	4,298	2,875
Other Post-Employment Benefits (i)	76,859	70,153
Customer Security Deposits (j)	1,336	1,307
Accrued Pension Obligation (k)	5,234	5,213
Deferred Income Taxes (l)	17,026	14,330
Cost Recovery Deferral – 2016 Cost Recovery Deferral (m)	-	307
	104,753	94,185
Average Rate Base before Allowances	1,211,751	1,184,330
Rate Base Allowances		
Materials and Supplies	11,978	8,339
Cash Working Capital	6,705	10,277
	18,683	18,616
Average Rate Base	$ 1,230,434	$ 1,202,946

(a) The Company's rate base is determined using the ARBM which incorporates average deferred charges into the calculation of rate base. The total average deferred charges of $92,083,000 (2021 - $89,465,000) included in the 2022 rate base consists of average deferred pension costs of $91,991,000 (2021 - $89,394,000) and credit facility costs of $92,000 (2021- $71,000). The Company has included a schedule of these costs in Return 8.

(b) In Order No. P.U. 13 (2013), the Board approved Newfoundland Power's proposed change in definition of conservation program costs and the deferral and amortization of annual conservation program costs over seven years with recovery through the Rate Stabilization Account.

In Order No. P.U. 3 (2022), the Board approved the increase in the amortization period from seven to ten years, commencing January 1, 2021 for historical balances and annual charges. The implementation of Order No. P.U. 3 (2022) resulted in a $1,875,000 after tax true-up increase in deferred conservation costs in 2022 relating to annual deferred customer energy conservation program costs incurred up to December 31, 2021.

In 2022, the actual costs incurred and deferred were $5,227,000 ($3,659,000 after tax) and the amortization will be $522,700 beginning in 2023. Included in the calculation of the average rate base for 2022 is $17,890,000 (2021 - $16,735,000) related to this deferral.

(c) Customer Finance Programs are comprised of loans provided to customers related to customer conservation programs and contributions in aid of construction. The 2022 average rate base incorporates $1,614,000 (2021 - $1,927,000) related to these programs.

(d) In Order No. P.U. 2 (2019), the Board approved the 34-month amortization of $1,000,000 in estimated hearing costs related to the 2019/2020 General Rate Application, commencing March 1, 2019 through December 31, 2021. According to the Company, the actual hearing costs for the 2019/2020 General Rate Application were $329,728. The Company transferred $670,272 to the Rate Stabilization Account on March 31, 2019 representing the difference between actual of $329,728 and estimated costs of $1,000,000 as directed by the Board in Order No. P.U. 2 (2019) instead of a reduction in rate base in 2019. There were no hearing costs included in Rate Base for 2022.

(e) In Order No. P.U. 3 (2022), the Board approved the amortization of a forecast revenue shortfall for 2022 of $930,000 through the Rate Stabilization Account, over a 34-month period commencing March 1, 2022 and ending on December 31, 2024. The calculation of the 2022 average rate base incorporates $230,000 (2021 - $Nil) related to this deferral.

(f) In Order No. P.U. 3 (2022), the Board approved the Load Research and Rate Design Cost Deferral Account to defer costs related to the Load Research Study and Retail Rate Design Review, which is to be conducted by Newfoundland Power in accordance with the Settlement Agreement. The calculation of the 2022 average rate base incorporates $10,000 (2021 - $Nil) related to this deferral.

(g) In Order No. P.U. 10 (2022), the Board approved the disposition of the 2021 balance of the Demand Management Incentive Account of $1,917,000 ($1,342,000 after tax) by means of a debit to the Rate Stabilization Account as of March 31, 2022. In Order No. P.U. 8 (2023), the Board approved the disposition of the 2022 balance of the Demand Management Incentive Account of $153,000 ($107,000 after tax) by means of a credit to the Rate Stabilization Account as of March 31, 2023. The 2022 average rate base incorporates $618,000 (2021 - $1,172,000) related to this account.

(h) During 2022, the Weather Normalization reserve was impacted by the following:

Transfer to RSA:

i. In Order No. P.U. 13 (2013) the Board approved annual balances in the Weather Normalization reserve be recovered from or credited to customers through the Rate Stabilization Account. This resulted in a decrease to the reserve of $2,020,000 in 2022 (2021 – $3,734,000 decrease).

Other transfers:

i. $8,342,000 increase to the reserve related to the after-tax impact of the Degree Day Normalization Reserve Transfer (2021 – $10,366,000 increase).
ii. $1,766,000 decrease to the reserve related to the after tax impact of the Hydro Production Equalization Reserve transfer (2021 - $8,346,000 decrease).

The net impact was a net increase to the reserve of $4,556,000 (2021 - $1,714,000 decrease). The ending balance in this reserve account totaled $6,576,000 compared to a balance of 2,020,000 at December 31, 2021 (an average of $4,298,000 for 2022 and $2,877,000 in 2021). This represents a balance owed to customers.

(i) Other Post-Employment Benefits at December 31, 2022 is equal to the OPEBs liability of $66,516,000, plus the amount in EFBs related to OPEBs of $24,147,000, and less the OPEBs asset of $10,512,000. The calculation of the 2022 average rate base of $76,859,000 is equal to the average of the December 31, 2022 net liability of $80,151,000 and the December 31, 2021 net liability of $73,566,000.

(j) Customer Security Deposits are comprised of security deposits received from customers for electrical services as outlined with the Board approved Schedule of Rates, Rules and Regulations. The calculation of the 2022 average rate base incorporates $1,336,000 (2021 - $1,307,000) related to customer security deposits.

(k) The 2022 average rate base calculation incorporates $5,234,000 (2021 - $5,213,000) of Accrued Pension Obligation. This obligation is a result of executive and senior management supplemental pension benefits comprised of a defined benefit plan and a defined contribution plan. The defined benefit plan was closed to new entrants in 1999.

(l) In Order No. P.U. 32 (2007), the Board approved the Company's adoption of the accrual method of accounting for income tax related to pension costs. In Order No. P.U. 31 (2010) the Board approved the Company's adoption of the accrual method of accounting for OPEBs costs and income tax related to OPEBs. The balance of deferred income taxes related to pension costs and OPEBs included in the 2022 average rate base is ($2,627,500) and ($19,704,000) respectively. The remaining balance of deferred income tax liability included in the 2022 average rate base is $39,357,500 relates to capital assets. This results in an average balance for deferred income tax liability of $17,026,000 (2021 - $14,330,000).

(m) In Order No. P.U. 2 (2019), the Board approved the deferral over a 34-month period of a $2,482,000 (before tax) revenue surplus from March 1, 2019 rate implementation of rates. The 2022 average rate base is not impacted by this deferral (2021 - $307,000 deduction).

The net change in the Company's average rate base from 2021 to 2022 can be summarized as follows:

(000's)	**2022**	2021
Average rate base - opening balance	**$ 1,202,946**	$ 1,181,897
Change in average deferred charges and deferred regulatory costs	**4,195**	(1,559)
Average change in:		
Plant in service	**78,786**	74,766
Accumulated depreciation	**(43,410)**	(39,589)
Contributions in aid of construction	**(407)**	(82)
Weather normalization reserve	**(1,421)**	(3,837)
Other post-employment benefits	**(6,706)**	(5,887)
Future income taxes	**(2,697)**	(2,944)
Rate base allowances	**66**	843
Customer Finance Programs	**(313)**	(369)
Demand Management Incentive Account	**(555)**	(269)
Other rate base components (net)	**(50)**	(24)
Average rate base - ending balance	**$ 1,230,434**	$ 1,202,946

Based upon the results of the above procedures we did not note any discrepancies in the calculation of the 2022 average rate base, and therefore conclude that the 2022 average rate base included in the Company's annual report to the Board is in accordance with established practice and Board Orders.

Return on Average Rate Base

The Company's calculation of the return on average rate base is included on Return 13 of the annual report to the Board. The return on average rate base for 2022 was 6.72% (2021 – 6.74%). Our procedures with respect to verifying the reported return on average rate base included agreeing the data in the calculation to supporting documentation and recalculating the rate of return to ensure it is in accordance with established practice and Board Orders. The return on average rate base is calculated in accordance with the methodology approved in Order No. P.U. 32 (2007).

The actual return on average rate base in comparison to the range of allowed return for each of the years from 2019 to 2022 is set out in the table below.

	2022	2021	2020	2019
Actual Return on Average Rate Base	6.72%	6.74%	7.04%	6.97%
Upper End of Range set by the Board	6.79%	6.83%	7.22%	7.19%
Lower End of Range set by the Board	6.43%	6.47%	6.86%	6.83%

The Board approved the Company's rate of return on average rate base of 6.61% in a range of 6.43% to 6.79% for 2022 in Order No. P.U.3 (2022). As noted above, the Company's actual return on average rate base for 2022 was 6.72% which was inside the range set by the Board.

As a result of completing these procedures, we can advise that no discrepancies were noted and therefore conclude that the calculation of rate of return on average rate base included in the Company's annual report to the Board is in accordance with established practice.

Capital Structure

In Order No. P.U.3 (2022), the Board deemed that the proportion of common equity in the capital structure shall not exceed 45%.

The Company's capital structure for 2022 as reported in Return 24 is as follows:

	2022 Average		2021	2020	2019
	(000's)	**Percent**	Percent	Percent	Percent
Debt	**$ 661,762**	**55.29%**	55.07%	54.70%	54.28%
Preferred equity (1)	**-**	**0.00%**	0.00%	0.39%	0.78%
Common equity	**535,188**	**44.71%**	44.93%	44.91%	44.94%
	$ 1,196,950	**100%**	100%	100%	100%

Note 1 – The Company's preferred shares were redeemed in 2020.

Pursuant to Order No. P.U. 32 (2007), the Company did submit a schedule (Return 25) calculating the cost of embedded debt for the current year. It also indicated the variances in interest expense and average debt over the 2022 year in Return 26. The embedded cost of debt for 2022 was 5.48% which represents a 13 bps decrease from the 2021 embedded cost of debt of 5.61%.

Based on the information indicated above, we conclude that the capital structure included in the Company's annual report to the Board is in accordance with Order No. P.U. 3 (2022).

Calculation of Average Common Equity and Return on Average Common Equity

The Company's calculation of average common equity and return on average common equity for the year ended December 31, 2022 is included on Return 27 of the annual report to the Board. The average common equity for 2022 was $535,188,000 (2021 – $521,048,000). The Company's actual return on average common equity for 2022 was 8.95% (2021 – 8.88%).

Our procedures focused on verification of the data incorporated in the calculations and on 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 (earnings applicable to common shares; dividends; regulated earnings; etc.) to supporting documentation;
- reviewed the clerical accuracy of the continuity of common equity per Order No. P.U. 40 (2005), including the deemed capital structure per Order Nos. P.U. 19 (2003), P.U. 32 (2007), P.U. 43(2009), P.U. 13 (2013), P.U. 18 (2016), P.U. 2 (2019), and P.U. 3 (2022); and,
- recalculated the rate of return on common equity for 2022 and ensured it was in accordance with Order Nos. P.U. 32 (2007) and P.U. 36 (2020).

In Order No. P.U. 32 (2007), the Board ordered that where in a given year the actual rate of ROE is greater than 50 bps above the test year calculation of the cost of equity for the same year, the Company must file a report with its annual return explaining the facts and circumstances contributing to the difference. Per Order No. P.U. 3 (2022) the approved cost of common equity for 2022 was 8.50%. The actual return on average common equity for 2022 was 8.95%. Therefore, the actual return on average common equity was within the 50-basis point limit and no additional reporting was required.

Based on completion of the above procedures we did not note any discrepancies in the calculations of regulated average common equity or return on regulated average common equity.

Interest Coverage

The level of interest coverage experienced by the Company over the last four years is as follows:

(000's)	2022	2021	2020	2019
Net Income	**$ 45,650**	$ 43,757	$ 43,577	$ 42,892
Income Taxes	**11,002**	11,603	11,893	11,298
Interest on long term debt	**35,597**	35,450	36,811	35,375
Interest during construction	**(1,498)**	(995)	(949)	(1,933)
Other interest and amortization of discount costs	**668**	400	842	1,590
Total	**$ 91,419**	$ 90,215	$ 92,174	$ 89,222
Interest on long term debt	**$ 35,597**	$ 35,450	$ 36,811	$ 35,375
Other interest and amortization of discount costs	**668**	400	842	1,590
Total	**$ 36,265**	$ 35,850	$ 37,653	$ 36,965
Interest Coverage (times)	**2.5**	2.5	2.4	2.4

The above table shows that the interest was consistent from 2019 to 2022.

In Order No. P.U. 43 (2009), the Board was satisfied with the Company's interest coverage ratio of 2.5 times given the Company's capital structure and return on regulated equity. The level of interest coverage realized for 2022 is 2.5 times.

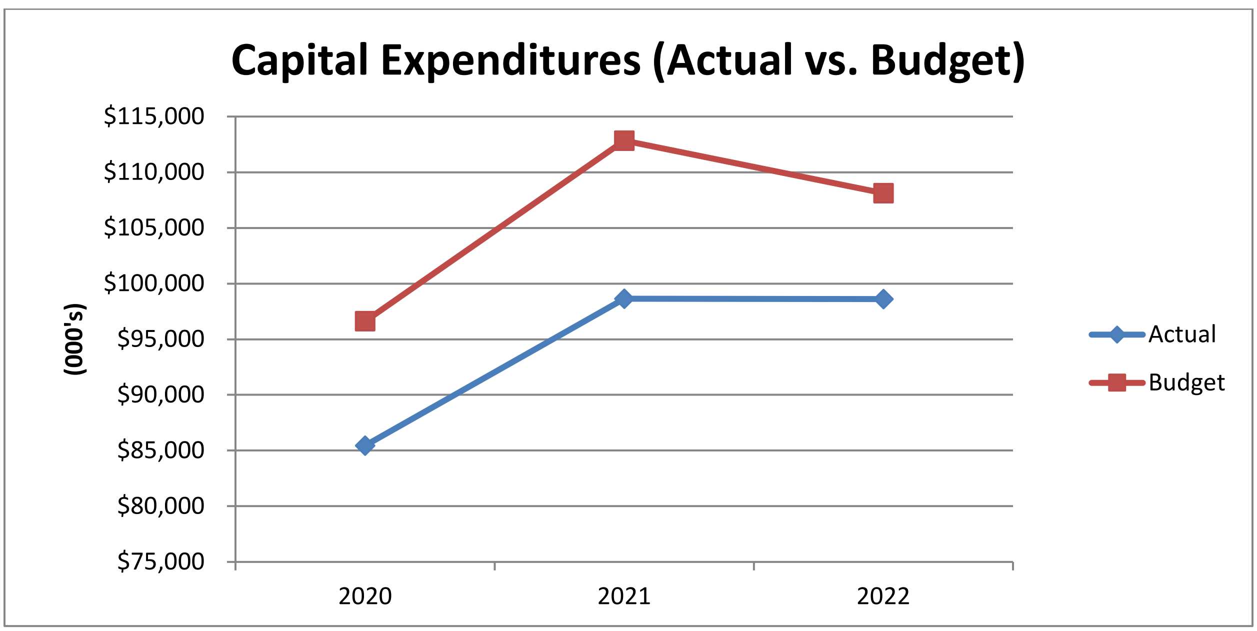
Capital Expenditures

Scope: Review the Company's 2022 capital expenditures in comparison to budgets and follow up on any significant variances.

The following table details the actual versus budgeted capital expenditures (excluding capital projects carried forward from prior years) for the past three years from 2020 to 2022:

($000's)	**2020**	**2021**	**2022**	**Notes**
Actual	$ 85,447	$ 98,640	$ 98,600	**1**
Budget	$ 96,614	$ 112,836	$ 108,121	
Over (under) budget	(11.56%)	(12.58%)	(8.81%)	

Note 1: Total expenditures per the 2022 Capital Budget report includes the carryover amount of $19,419,000 for a total of $118,019,000 for 2022 projects. The carryover amount is made up of nine projects included in the following categories; $265,000 to Generation; $1,126,000 to Substation; $3,921,000 to Transmission; $234,000 to Distribution, $147,000 to General property, $1,335,000 to Transportation, $361,000 to Telecommunication, and $12,030,000 to Information Systems.



The following table provides a summary of the capital expenditure activity in 2022 as reported in the Company's "2022 Capital Expenditure Report"

($000's)	Capital Budget			Actual Expenditures		
	Prior Years	2022	Total	Prior Years	2022	Total
2022 Capital Projects (1)	$ -	$ 108,121	$ 108,121	$ -	$ 98,600	$ 98,600
2021 Projects Carried to 2022 & Multi Year Projects						
Transmission line extension	1,343	-	1,343	106	2,006	2,112
Application Enhancement	978	-	978	852	59	911
Network Infrastructure	363	-	363	316	99	415
Company Building Renovations	1,392	-	1,392	1,038	383	1,421
Purchase Vehicles and Aerial Devices	4,032	-	4,032	1,683	1,075	2,758
Customer Service System Replacement	9,903	-	9,903	2,810	7,093	9,903
Topsail Hydro Plant Refurbishment	9,859	-	9,859	8,079	209	8,288
Petty Harbour Hydro Plant Refurbished	3,662	-	3,662	3,499	209	3,708
Fibre Optic Cable Builds	350	-	350	238	94	332
Additions Due to Load Growth	4,997	-	4,997	2,508	2,595	5,103
Trunk Feeders	800	-	800	7	469	476
Feeder Additions for Load Growth	2,655	-	2,655	1,899	773	2,672
Utility EV Charging Network	1,538	-	1,538	51	1,484	1,535
	41,872	-	41,872	23,086	16,548	39,634
Grand Total	**$ 41,872**	**$ 108,121**	**$ 149,993**	**$ 23,086**	**$115,148**	**$ 138,234**

Note 1 - Approved in Order Nos. P.U. 37 (2020), P.U. 12 (2021) and P.U. 36 (2021).

A breakdown of the total capital expenditures and budget with variances by asset category is as follows:

($000's)	2022 Budget (1)	2022 Actuals (2)	Variance	Carryover	Variance Including Carryover	%
Generation - Hydro	$ 15,983	$ 14,112	$ (1,871)	$ 265	$ (1,606)	(10.05%)
Generation - Thermal	307	254	(53)	-	(53)	(17.26%)
Substation	16,636	18,173	1,537	1,126	2,663	16.01%
Transmission	14,235	13,778	(457)	4,031	3,574	25.11%
Distribution	51,207	54,883	3,676	558	4,234	8.27%
General property	4,052	4,129	77	147	224	5.53%
Transportation	7,121	4,512	(2,609)	3,132	523	7.34%
Telecommunications	914	542	(372)	466	94	10.28%
Information systems	32,288	20,692	(11,596)	12,160	564	1.75%
Unforeseen	750	-	(750)	-	(750)	(100.00%)
General expenses capitalized	6,500	7,159	659	-	659	10.14%
Total	**$ 149,993**	**$ 138,234**	**$ (11,759)**	**$ 21,885**	**$ 10,126**	**6.75%**

Note 1 - Includes prior years projects and current year budgeted amounts as there were projects incomplete at the previous year ends.

Note 2 - 2022 actuals include the total expense for projects carried forward from 2021.

As indicated in the table, actual capital expenditures were less than the approved budget by $11,759,000 and when carryover amounts are considered, they were $10,126,000 (6.75%) higher. However, for each category of expenditure, the variances ranged from an over-budget of 25.11% for the transmission category to an under-budget of 100.00% for the unforeseen category. As the variances within the table are for category totals it should be noted that individual project variances will differ from those listed. A breakdown by project of the carryover amounts from the table above is as follows:

Project		Carryover (000's)
Hydro Facility Rehabilitation		265
Substations Refurbishment and Modernization		1,126
Distribution Reliability Initiative		234
Clarenville Area Office Building Refurbishment		147
Network Infrastructure		170
Transmission Line 94L Rebuild		3,921
Replace Vehicles and Aerial Devices 2022-2023		1,335
St. John's Teleprotection System Replacement		361
Customer Service System Replacement		11,860
Fibre Optic Cable Builds		105
Transmission Line Extension - 35L		110
Trunk Feeders		324
Application Enhancements		130
Purchase Vehicles and Aerial Devices		1,797
Total Carryover	**$**	**21,885**

The Company has provided detailed explanations on budget to actual variances in Appendix A of its "2022 Capital Expenditure Report."

Based on our review of the Capital Budget Application Guidelines (Provisional) effective January 2022, we note the following:

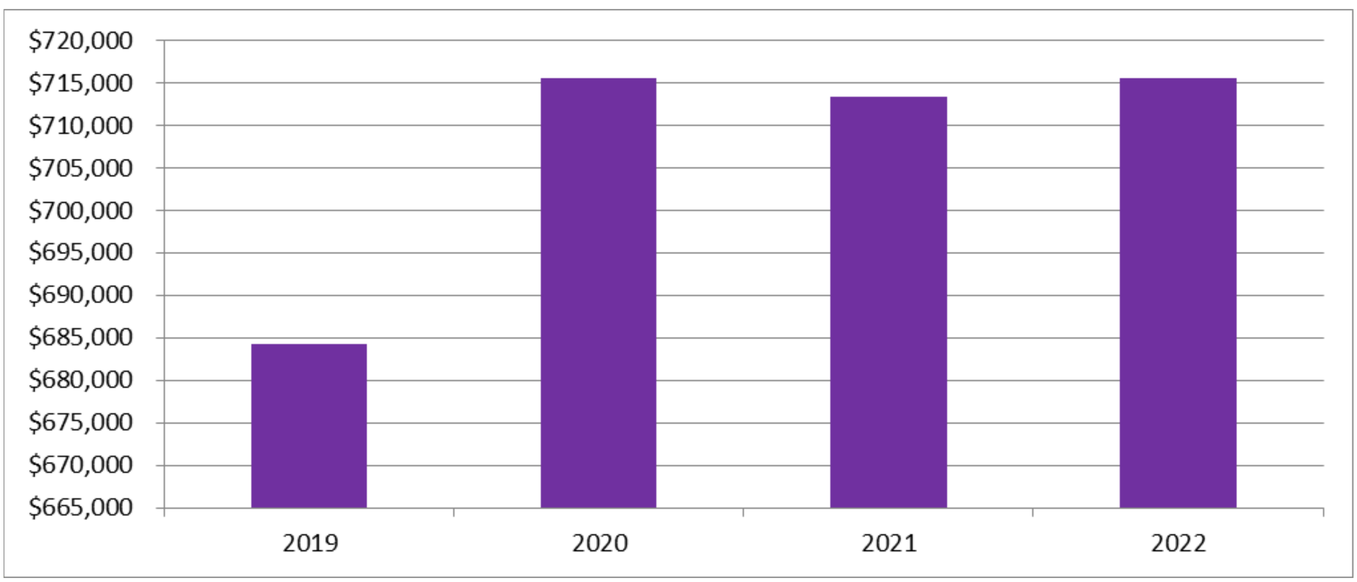
- The Company filed quarterly Capital Expenditure reports for the 2022 calendar year on time.
- The Company filed is annual capital expenditures report on March 31, 2023, after receiving approval by the Board of a rescheduled date to April 1, 2023, instead of March 1, 2023.
- The Company included its explanations of variances greater than both $100,000 and 10% off the approved budget in the Capital Expenditure report.
- Section C of the guidelines also notes that "*Where the total approved capital budget, including both the approved supplemental capital expenditures and expenditures related to unforeseen items, is exceeded by 10% in a year the report should include an explanation of all the components that caused the actual total capital expenditure in that year to exceed the total approved capital budget and the efforts made to maintain the overall level of capital expenditures. Should the variance in any two consecutive years exceed 10%, the report should address whether there should be changes to the utility's forecasting and capital budgeting process".* The variance was (12.58%) in 2021 and (8.81%) in 2022. When taking into consideration carryovers, the variance was 1.09% in 2021 and 6.75% in 2022 resulting in no additional reporting requirements.
- The allowance for unforeseen items account was not utilized in 2022.

Revenue from rates

Scope: Review the Company’s 2022 revenue from rates in comparison to prior years and follow up on any significant variances.

We have compared the actual revenues from rates for 2019 to 2022 to assess any significant trends. The results of this analysis of revenue by rate class are as follows:

($000's)	2019	2020	2021	2022
Residential	$ 432,272	$ 458,433	$ 453,328	**$ 455,223**
General Service				
0-100 kW	93,038	93,282	96,298	**95,983**
110-1000 kVA	101,397	105,418	107,731	**107,955**
Over 1000 kVA	37,916	38,643	36,428	**36,923**
Streetlighting	16,664	16,983	16,958	**16,725**
Discounts forfeited	2,892	2,868	2,560	**2,635**
Revenue from rates	$ 684,179	$ 715,627	$ 713,303	**$ 715,444**
Year over year percentage change	3.39%	4.60%	-0.32%	**0.30%**



The above graph demonstrates that the Company has seen a 0.30% increase in revenue from rates in 2022 as compared to 2021. The increase is primarily due to higher electricity sales to residential customers, partially offset by customer base rates decreasing effective March 1, 2022 as approved in Order No. P.U. 3 (2022).

The comparison by rate class of 2022 actual revenues to 2022 budget is as follows:

($000's)	2021	2022	2022 Plan	Actual - Plan Variance	%
Residential	$ 453,328	**$ 455,223**	**$ 443,794**	$ 11,429	2.58%
General Service					
0-100 kW	96,298	**95,983**	**97,407**	(1,424)	(1.46%)
110-1000 kVA	107,731	**107,955**	**108,251**	(296)	(0.27%)
Over 1000 kVA	36,428	**36,923**	**37,817**	(894)	(2.36%)
Streetlighting	16,958	**16,725**	**16,638**	87	0.52%
Discounts forfeited	2,560	**2,635**	**2,834**	(199)	(7.02%)
Total revenue from rates	$ 713,303	**$ 715,444**	**$ 706,741**	$ 8,703	1.23%

We have also compared the 2022 budget energy sales in GWh to the actual sold in 2022:

	2021	2022	2022 Plan	Actual - Plan Variance	%
Residential	3,499.2	**3,548.0**	**3,445.3**	102.7	2.98%
General Service					
0-100 kW	778.5	**781.3**	**796.3**	(15.0)	(1.88%)
110-1000 kVA	1,018.4	**1,034.6**	**1,029.4**	5.2	0.51%
Over 1000 kVA	388.3	**392.6**	**404.5**	(11.9)	(2.94%)
Streetlighting	30.6	**28.0**	**27.9**	0.1	0.36%
Total	5,715.0	**5,784.5**	**5,703.4**	81.1	1.42%

Actual 2022 revenue from rates was $8,703,000 (1.23%) higher than planned due to increased residential electricity sales. There was a 1.42% increase in GWh sold in 2022 compared to 2022 Plan which was primarily due to the higher average consumption by residential customers and customer growth, partially offset by lower average consumption by commercial customers. The largest variances in revenue were in the residential, the 0-100 kW, and the over 1000 kVA classes, where revenue increased by $11,429,000 (2.58%), decreased by $1,424,000 (1.46%) and decreased by $894,000 (2.36%) respectively when compared to the plan.

Operating and General Expenses

Scope: Conduct an examination of operating and general expenses to assess their reasonableness and prudence in relation to sales of power and energy and their compliance with Board Orders.

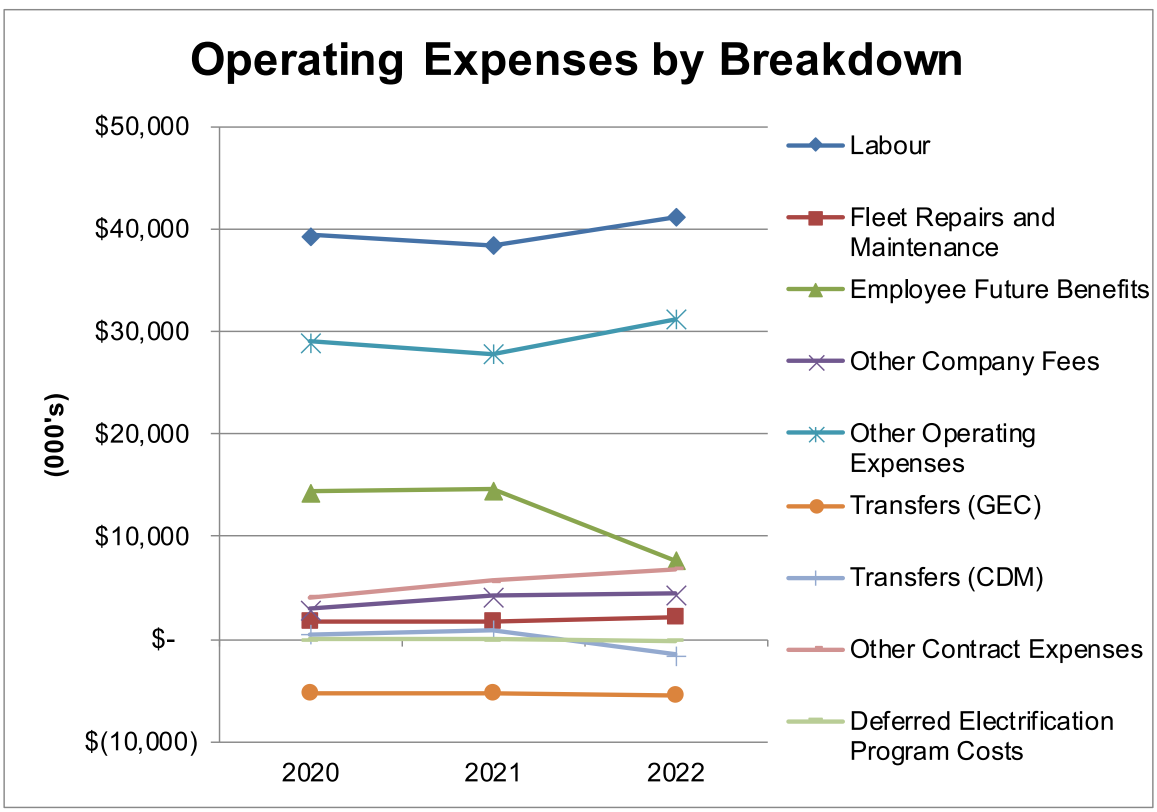
The below table provides details of operating and general expenses (including non-regulated expenses) by “breakdown” for 2022, 2021, and 2020.

(000's)	Actual 2022	Actual 2021	Actual 2020	Variance 2022-2021
Labour	$ 42,605	$ 40,055	$ 40,652	$ 2,550
Reclass OPEB labour cost	(1,433)	(1,615)	(1,290)	182
Total Labour	41,172	38,440	39,362	2,732
Vehicle expense	2,185	1,813	1,725	372
Operating materials	1,256	1,075	1,301	181
Inter-company charges	1,868	1,995	2,277	(127)
Plants, Subs, System Oper & Bldgs	3,716	3,495	3,484	221
Travel	1,143	678	638	465
Tools and clothing allowance	1,373	1,143	1,156	230
Miscellaneous	1,984	1,882	1,999	102
Conservation	1,600	1,652	2,172	(52)
Taxes and assessments	1,388	1,337	1,116	51
Uncollectible bills	2,027	1,111	2,290	916
Insurance	2,214	1,995	1,698	219
Severance & other employee costs	156	(17)	126	173
Education, training, employee fees	415	338	275	77
Trustee and directors' fees	687	686	673	1
Other company fees	4,467	4,186	2,944	281
Stationary & copying	240	168	246	72
Equipment rental/maintenance	671	664	656	7
Communications	2,937	2,874	2,786	63
Advertising	1,411	1,412	1,264	(1)
Vegetation management	3,230	2,524	2,306	706
Computing equipment & software	2,879	2,461	2,199	418
Total Other	37,847	33,472	33,331	4,375
Pension & early retirement program	(63)	6,966	7,864	(7,029)
OPEB's	7,715	7,630	6,528	85
Total employee future benefits	7,652	14,596	14,392	(6,944)
Total gross expenses	86,671	86,508	87,085	163
Transfers (GEC)	(5,370)	(5,276)	(5,175)	(94)
CDM amortization	3,709	5,889	5,578	(2,180)
Other contract expenses	6,826	5,667	4,120	1,159
Deferred CDM program costs	(5,227)	(4,991)	(5,118)	(236)
Deferred regulatory costs	-	353	353	(353)
Deferred Electrification Program Costs	(28)	-	-	(28)
Total net expenses	$ 86,581	$ 88,150	$ 86,843	$ (1,569)

Overall, net operating expenses decreased by $1,569,000 from 2021 to 2022. Significant operating expense variances are discussed in our report. We conducted an examination of other costs including purchased power, depreciation, interest, and income taxes and have noted that nothing has come to our attention to indicate that these costs for 2022 are unreasonable.

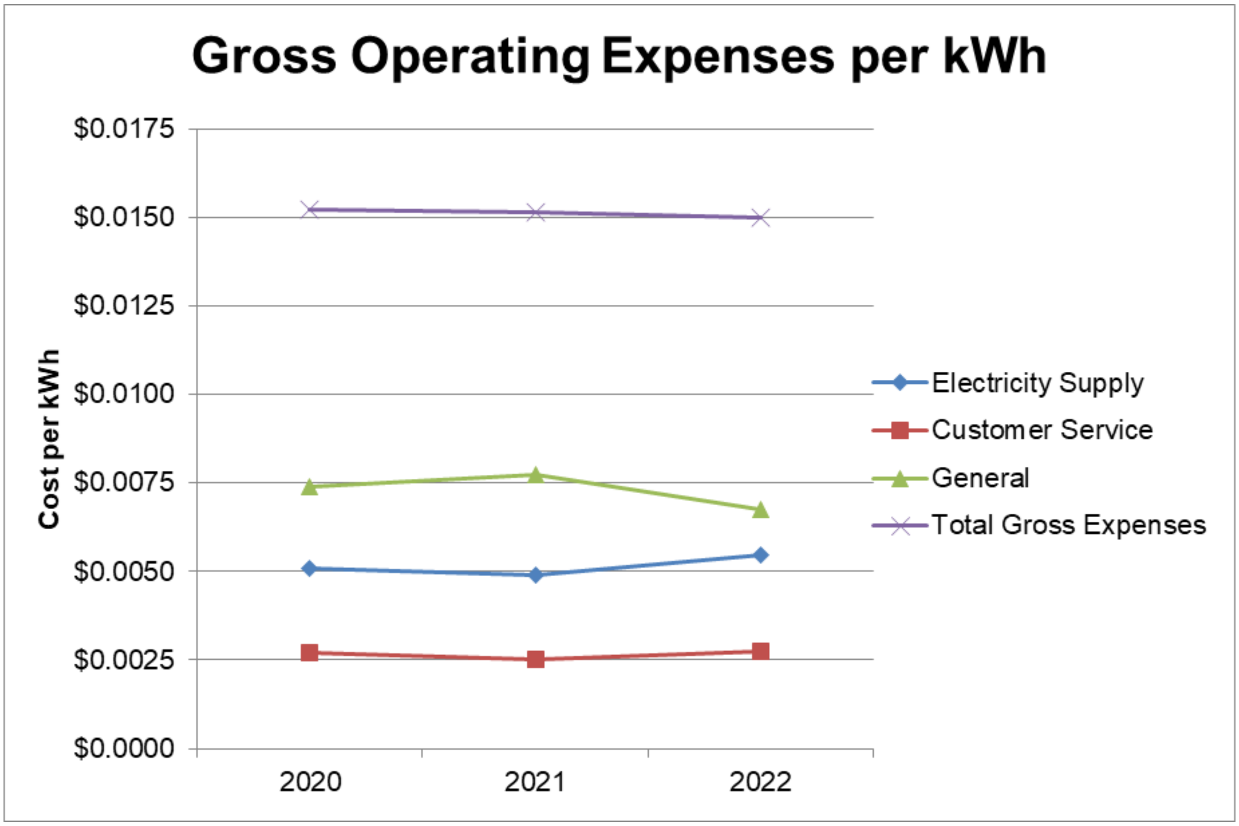
Our detailed review of operating expenses was conducted using the breakdown as documented in the above table. It should also be noted that our review is based upon gross expenses before allocation to GEC, CDM and deferred electrification program costs. The following table and graph show the trend in net operating expenses by breakdown for the period 2020 to 2022.

	Actual		
(000's)	**2020**	**2021**	**2022**
Labour	$ 39,362	$ 38,440	$ 41,172
Fleet Repairs and Maintenance	1,725	1,813	2,185
Employee Future Benefits	14,392	14,596	7,652
Other Company Fees	2,944	4,186	4,467
Other Operating Expenses	29,016	27,826	31,195
Transfers (GEC)	(5,175)	(5,276)	(5,370)
Transfers (CDM)	460	898	(1,518)
Other Contract Expenses	4,119	5,667	6,826
Deferred Electrification Program Costs	-	-	(28)
Total Net Expenses	$ 86,843	$ 88,150	$ 86,581



The relationship of operating expenses to the sale of energy (expressed in kWh) from 2020 to 2022 is presented in the table below:

		Electricity Supply		Customer Service		General		Total Gross Expenses	
Year	kWh sold (000's)	Cost (000's)	Cost per kWh	Cost (000's)	Cost per kWh	Cost (000's)	Cost per kWh	Cost (000's)	Cost per kWh
2020	5,729,000	$29,144	$0.0051	$15,555	$0.0027	$42,386	$0.0074	$87,085	$0.0152
2021	5,715,000	$28,095	$0.0049	$14,282	$0.0025	$44,131	$0.0077	$86,508	$0.0151
2022	**5,784,500**	**$31,578**	**$0.0055**	**$15,935**	**$0.0028**	**$39,158**	**$0.0068**	**$86,671**	**$0.0150**



The table and graph show that total gross expenses per kWh have decreased by approximately 1% compared to 2021.

There was a decrease in general costs of $5 million, an increase in customer service costs of $1.7 million and an increase in electricity supply costs of $3.5 million. The results of our review of the individual significant expense categories variances are noted on the following pages.

Salaries and Benefits (including executive salaries)

A detailed comparison of the number of full-time equivalent (FTE) employees by category for 2020 to 2022 (including 2022 Plan) is as follows:

	Actual 2022	Plan 2022	Actual 2021	Actual 2020	Actual - Plan	Actual 2022-2021
Executive Group	**6.0**	**6.0**	6.0	6.0	-	-
Corporate Office	**22.1**	**22.2**	22.2	21.6	(0.1)	(0.1)
Finance and Information Technology	**95.8**	**98.8**	97.4	96.6	(3.0)	(1.6)
Engineering and Operations	**377.4**	**371.4**	368.4	382.7	6.0	9.0
Customer Relations	**107.7**	**104.0**	95.0	70.6	3.7	12.7
	609.0	**602.4**	589.0	577.5	6.6	20.0
Temporary employees	**21.0**	**39.6**	18.5	34.0	(18.6)	2.5
Total	**630.0**	**642.0**	607.5	611.5	(12.0)	22.5

The overall number of FTE's in 2022 compared to 2021 increased by 22.5. The budgeted number of FTEs in the 2022 Plan was 642.0 versus actual of 630.0. The variances between 2022, 2022 Plan, and 2021 are the result of the following:

- Finance and Information Technology: 2022 is lower than plan primarily due to a transfer to Customer Relations. 2022 is lower than 2021 due to full year impact of transfers to the Customer Information Systems ("CIS") Project in late 2021.
- Engineering and Operations: 2022 is higher than plan and 2021 primarily due to the impact of delayed hires from 2021 and additional positions in Regional Operations.
- Customer Relations: 2022 is higher than plan primarily due to transfers to the CIS Project and transfers from Finance and Information Technology, partially offset by no hires for the Electrification Program. 2022 is higher than 2021 primarily due to the ramp up of the CIS Project and transfers from Finance and Information Technology.
- Temporary Employees: 2022 is lower than plan primarily due to the ramp up of the CIS Project later in 2022 and a shift from temporary to regular. 2022 is higher than 2021 primarily due to additional Customer Service representatives to support the CIS Project.

An analysis of salaries and wages by type of labour and by function from 2020 to 2022 is as follows:

(000's)	Actual 2022	Actual 2021	Actual 2020	Variance 2022-2021
Type				
Internal labour (1)	**$ 72,915**	$ 69,839	$ 69,029	$ 3,076
Overtime (2)	**7,251**	6,635	5,885	616
	80,166	76,474	74,914	3,692
Contractors (3)	**16,446**	15,441	12,510	1,005
	$ 96,612	$ 91,915	$ 87,424	$ 4,697
Function				
Operating (4)	**$ 42,605**	$ 40,055	$ 40,652	$ 2,550
Capital and miscellaneous (5)	**54,007**	51,860	46,772	2,147
Total	**$ 96,612**	$ 91,915	$ 87,424	$ 4,697
Year over year percentage change	**5.11%**	5.14%	-2.99%	

Our review of salaries and benefits included an analysis of the year-to-year variances, consideration of trends in labour costs, and discussion of the significant variances with Company officials. As indicated in the above table, total labour costs for 2022 were $4,697,000 (5.11%) higher than 2021.

Note 1 - Internal labour for 2022 was higher than 2021 primarily as a result of higher FTEs and inflationary increases.

Note 2 - Overtime labour for 2022 was higher than 2021 primarily as a result of higher overtime associated with restoration efforts required following storms, partially offset by lower overtime associated with capital distribution work.

Note 3 - Contract labour for 2022 was higher than 2021 primarily as a result of higher labour for transmission rebuilds & deficiencies, partially offset by lower labour for third-party customer jobs.

Note 4 - Operating labour for 2022 was higher than 2021 primarily as a result of higher FTEs, inflationary increases and increased corporate costs.

Note 5 - Capital and Miscellaneous labour for 2022 was higher than 2021 primarily as a result of additional labour for the Customer Service System replacement project and increased contract labour for transmission rebuilds & deficiencies, partially offset by lower labour for third-party customer jobs.

As part of our review we completed an analysis of the average salary per FTE, including and excluding executive compensation (base salary and short-term incentive). The results of our analysis for 2020 to 2022 are included in the table below:

	Salary Cost Per FTE			
	Actual 2022	**Actual 2021**	**Actual 2020**	**Variance 2022-2021**
Total reported internal labour costs	**$ 72,915**	$ 69,839	$ 69,028	$ 3,076
Benefit costs (net)	**(9,922)**	(10,231)	(9,563)	309
Other adjustments	**(735)**	(989)	(1,693)	254
Base salary costs	**62,258**	58,619	57,772	3,639
Less: executive compensation	**(1,943)**	(1,985)	(1,902)	42
Base salary costs (excluding executive)	**$ 60,315**	$ 56,634	$ 55,870	$ 3,681
FTE's (including executive members)	**630.0**	607.5	611.5	
FTE's (excluding executive members)	**626.0**	603.5	607.5	
Average salary per FTE	**98,822**	96,492	94,476	
% increase	**2.41%**	2.13%	4.01%	
Average salary per FTE (excluding executive members)	**96,350**	93,842	91,968	
% increase	**2.67%**	2.04%	4.20%	

The above analysis indicates that the rate of increase in average salary per FTE excluding executive members for 2022 has increased from 2021, and 2021 decreased from 2020.

The increase in average salary per FTE, including and excluding executive members, increased from 2021 to 2022 by 2.42% and 2.67% respectively, and is relatively consistent with the 2021 increases.

Short Term Incentive (STI) Program

The following table outlines the actual results for 2020 to 2022 and the targets set for 2022:

Measure	Target 2022	Actual 2022	Actual 2021	Actual 2020
Controllable Operating Costs/Customer	**$ 244.30**	**$ 257.70**	$ 234.50	$ 237.70
Earnings	**$ 44.0M**	**$ 45.7M**	$ 43.8M	$ 43.2M
Cash Flow from Operating Activities	**$ 117.6M**	**$ 120.1M**	$ 148.1M	$ 136.8M
Reliability - Duration of Outages (SAIDI)	**2.55**	**3.02**	2.48	2.98
Customer Satisfaction - % Satisfied	**86.8%**	**87.2%**	88.3%	87.6%
Injury Frequency Rate	**0.56**	**0.73**	0.56	0.74

According to the Company, reliability targets and results exclude interruptions which are Hydro related and those which meet the Institute of Electrical and Electronics Engineers (IEEE) definition of significant events.

The Company's STI program also includes an individual performance measure for Executives and Directors. This measure is used to reinforce the accountability and achievement of individual performance targets.

The weight between corporate performance and individual performance differs between the managerial classifications, as outlined in the following table.

Classification	Corporate Performance	Individual Performance
President and CEO	70%	30%
Executives	70%	30%
Directors	50%	50%

The individual measures of performance for Directors are developed in consultation with the individuals and their respective executive member. Performance measures for the executive members, President and CEO are approved by the Board of Directors. Each measure is reflective of key projects or goals and focuses on departmental or divisional priorities.

The program operates to provide 100% payout of established STI pay if the Company meets, on average, 100% of its performance targets. The STI pay for 2022 is established as a percentage of base pay for the three employee groups. For 2022, measures relating to 'Earnings', 'Cash Flow from Operating Activities', and 'Customer Satisfaction - % Satisified' metrics were met, however 'Controllable Operating Costs/Customer', 'SAIDI' and 'Injury Frequency Rate' metric fell below target.

The following table illustrates the target as a percentage of base pay together with the actual STI payouts for 2020 to 2022:

	Target 2022	Actual 2022	Target 2021	Actual 2021	Target 2020	Actual 2020
President	**50%**	**51.2%**	**50%**	**69.77%**	50%	64.44%
VP	**35%-40%**	**38.0%**	**35%-40%**	**51.24%**	35%-40%	46.86%
Directors	**15%**	**16.5%**	**15%**	**20.90%**	15%	19.73%

STI actual payout rates for President, VP, and Directors employee groups are lower than the prior year. President and Directors payout rates are exceeding targets while the VP payout rate falls in the target range.

The dollar amount of STI payouts for 2020 to 2022 are as follows:

	Actual 2022	Actual 2021	Actual 2020	Variance 2022-2021
President	**$ 221,000**	**$ 277,000**	$ 265,000	$ (56,000)
VP	**355,000**	**444,000**	402,000	(89,000)
Directors	**385,300**	**415,200**	357,800	(29,900)
Total	**$ 961,300**	**$ 1,136,200**	$ 1,024,800	$ (174,900)
Year over Year % change	**-15.39%**	10.87%	1.07%	

In accordance with Order No. P.U. 19 (2003), the Company has classified STI payouts in excess of 100% of target as a non-regulated expense. In accordance with Order Nos. P.U. 18 (2016) and P.U. 3 (2002) the Company has classified STI payouts relating to half of the earnings metric and half of the cash flow metric, respectively as a non-regulated expense. In 2022, the non-regulated portion (before tax adjustment) was $180,479 (2021 - $414,578).

Executive Compensation

The following table provides a summary and comparison of executive compensation for 2020 to 2022:

	Base Salary	Short Term Incentive	Other	Total
2022				
Total executive group	$ 1,367,000	$ 576,000	$ 620,847	$ 2,563,847
Average per executive (4)	**$ 341,750**	**$ 144,000**	**$ 155,212**	**$ 640,962**
2021				
Total executive group	$ 1,263,500	$ 721,000	$ 551,501	$ 2,536,001
Average per executive (4)	**$ 315,875**	**$ 180,250**	**$ 137,875**	**$ 634,000**
2020				
Total executive group	$ 1,269,105	$ 632,900	$ 1,339,435	$ 3,241,440
Average per executive (4)	**$ 317,276**	**$ 158,225**	**$ 334,859**	**$ 810,360**
% Average increase 2022 vs 2021	8.2%	-20.1%	12.6%	1.1%

Base salary for the executive group in 2022 increased by 8.2% from 2021. In 2022, there was no changeover within the executive positions throughout the year, therefore four executives held positions for the entire year, resulting in four FTEs.

Other compensation for the executive group in 2022 increased from 2021, primarily due to increases in performance share unit payouts.

Company Pension Plan

For 2022, we reviewed the accounts supporting the gross recovery of $63,000 of pension expense for the Company. A detailed comparison of the components of pension expense for 2020 to 2022 is below:

	Actual 2022	Actual 2021	Actual 2020	Variance 2022-2021
Pension expense per actuary	**$ (3,522,000)**	$ 3,757,000	$ 4,757,000	$ (7,279,000)
Pension uniformity plan (PUP)/supplemental employee retirement program (SERP)	**416,000**	379,000	402,000	37,000
Group RRSP @ 2%	**281,000**	307,000	340,000	(26,000)
Individual RRSP's	**2,781,000**	2,526,000	2,371,000	255,000
Less: Refunds (net of other expenses)	**(19,000)**	(3,000)	(6,000)	(16,000)
Total	**$ (63,000)**	$ 6,966,000	$ 7,864,000	$ (7,029,000)
Year over year percentage change	**(100.90%)**	(11.42%)	135.80%	

Overall, pension expense for 2022 is lower than 2021 primarily due to a lower amortization of net actuarial losses for the Company's defined benefit pension plan as a result of an increase in the discount rate as at December 31, 2022 compared to December 31, 2021.

The Company's pension uniformity plan is meant to eliminate the inequity in the regular pension plan related to the limitation on the maximum level of contributions permitted by income tax legislation. In effect, the pension uniformity plan tops up the benefits for senior management so that they receive benefits equivalent to the benefit formula of the registered pension plan. The Board ordered in Order No. P.U. 7 (1996-97) that the pension uniformity plan is allowed as reasonable, prudent and properly chargeable to the operating account of the Company. The PUP and SERP expenses increased by 9.8% in 2022.

The employer's portion of the contributions to the Group RRSP is calculated as 2.0% of the base salary paid to the plan participants. The closure of the Company's Defined Benefit Plan in 2004 (the Group RRSP (2.0% Plan)) contributed to the increase in the individual RRSP amount. New hires are added to the Individual RRSP Plan whereas the majority of retirements are out of the Group RRSP Plan.

Other Post-Employment Benefits ("OPEBs")

In its 2010 General Rate Application, the Company proposed the implementation of the accrual method of accounting for OPEBs expenses. The proposal included a deferral mechanism to capture annual variances arising from changes in the discount rate and other assumptions, and recommendations related to the recovery of the transitional balance associated with the adoption of accrual accounting for OPEBs costs. In Order No. P.U. 31 (2010) the Board decided the Company should use the accrual method of accounting for OPEBs costs and income tax related to OPEBs as of January 1, 2011.

The Board also required that the transitional balance for OPEBs expense be amortized using the straight-line method over a period of 15 years. The Board also approved the creation of the OPEBs Cost Variance Deferral Account to limit the variability of the OPEBs costs due to changing assumptions such as discount rates.

The components of OPEBs expense for 2020 to 2022 are as follows:

(000's)	Actual 2022	Actual 2021	Actual 2020	Variance 2022-2021
Accrued OPEBs	**$ 5,509**	$ 5,653	$ 4,191	$ (144)
Amortization of transitional balance	**3,504**	3,504	3,504	-
Amount capitalized	**(1,298)**	(1,527)	(1,167)	229
Total	**$ 7,715**	**$ 7,630**	$ 6,528	$ 85

Intercompany Charges

Our review of intercompany charges included the following specific procedures:

- assessed the Company's compliance with Order Nos. P.U. 19 (2003), P.U. 32 (2007), P.U. 43 (2009), and P.U. 13 (2013);
- compared intercompany charges for the years 2021 to 2022 and investigated any unusual fluctuations;
- reviewed detailed listings of charges for 2022 and investigated any unusual items;
- vouched a sample of transactions for 2022 to supporting documentation;
- assessed the appropriateness of the amounts being charged; and
- reviewed the methodology developed by Fortis Inc. ("Fortis") in 2008 to allocate recoverable expenses to its subsidiaries.

The following table summarizes intercompany transactions from 2020 to 2022 for charges to and from Newfoundland Power:

	Actual 2022	Actual 2021	Actual 2020	Variance 2022-2021
Charges from related companies				
Regulated	**$ 517,163**	$ 700,744	$ 220,017	$ (183,581)
Non-Regulated	**1,914,302**	2,277,627	2,587,867	$ (363,325)
Total	**$ 2,431,465**	$ 2,978,371	$ 2,807,884	$ (546,906)
Charges to related companies	**$ 2,195,877**	$ 235,355	$ 459,166	$ 1,960,522

Fortis bills its recoverable expenses on estimates rather than actual for the first three quarters of each year. Periodically, a true-up calculation is completed to reflect actual recoverable expenses incurred during the year. Recoverable expenses are allocated among the subsidiaries based on actual assets.

Fortis allocates its recoverable costs based on its subsidiaries' assets. Fortis estimated its net pool of operating expenses for 2022 based on the 2023-2027 business plan and is billed quarterly.

Actual recoverable expenses were determined to be $1,868,000 and are summarized as follows:

2022 Recoverable Expenses from Fortis Inc.

	Amount
Staffing and Staffing Related	$964,000
Director Fees and Travel	150,000
Consulting and Legal fees	136,000
Trustee Agent Fees	25,000
Annual Meeting Expenses	46,000
Insurance (D&O)	79,000
Other Costs	314,000
Total Quarterly Billings from Fortis Inc.	1,714,000
Plus: 2021 Q3 & Q4 True-Up	154,000
	1,868,000
Less amounts previously billed:	
Q1 2022	885,000
Q2 2022	53,000
Q3 2022	370,000
True-Ups	154,000
Q4 2022 balance owing	$ 406,000

According to the Company, charges from Fortis to Newfoundland Power are generally not based on specific allocation percentages, rather charges are invoiced based on actual costs or based on Newfoundland Power's usage of a specific service. Total quarterly billings from Fortis as shown above were $1,868,000. There were also additional invoices of $520,564 received directly from Fortis during 2022 for total Fortis charges of $2,388,564 ($1,868,000 + $520,564), of which $474,262 were regulated and $1,914,302 were non-regulated. These are detailed in the analysis below of regulated and non-regulated operations.

The analysis below is a review of the intercompany variances related to charges to and from Fortis, as well as other related parties. The following table summarizes the various components of the regulated intercompany transactions for 2020 to 2022 with Fortis:

Intercompany Transactions

(Regulated)	Actual 2022	Actual 2021	Actual 2020	Variance 2022-2021
Charges from Fortis Inc.				
Trustee fees and share plan costs	**$ 27,000**	$ 31,000	$ 20,000	$ (4,000)
Staff Charges	**-**	60,276	-	(60,276)
Miscellaneous	**447,262**	561,780	136,856	(114,518)
	$ 474,262	$ 653,056	$ 156,856	$ (178,794)
Year over year percentage change	**(27.38%)**	316.34%	(43.30%)	
Charges to Fortis Inc.				
Postage and couriers	**$ 1,443**	$ 1,501	$ 1,640	$ (58)
Staff charges	**76,944**	75,695	23,546	1,249
Miscellaneous	**69,120**	35,937	58,704	33,183
	$ 147,507	$ 113,133	$ 83,890	$ 34,374
Year over year percentage change	**30.38%**	34.86%	(1.67%)	

The most significant fluctuations from our analysis of regulated charges from Fortis are a decrease in the staff charges account of $60,276 and a decrease in the miscellaneous account of $114,518. According to the Company, the fluctuation in staff charges is due to a Fortis employee on secondment with Newfoundland Power from July to October 2021. The fluctuation in the miscellaneous amount is primarily due to a Defined Contribution Supplementary Employee Retirement Plan payment of $162,255 paid to an employee upon retirement in 2021.

The most significant fluctuation from our analysis of regulated charges to Fortis is an increase in miscellaneous charges of $33,183. The increase is primarily due to a short-term incentive payment of $26,000 to an employee transferred from Fortis and a SERP recovery payment of $10,000 for an employee.

The following table provides a summary and comparison of the non-regulated intercompany transactions for 2020 to 2022:

(Non-Regulated)	Actual 2022	Actual 2021	Actual 2020	Variance 2022-2021
Charges from Fortis Inc.				
Director's fees and travel	**$ 186,000**	$ 135,000	$ 170,000	$ 51,000
Staff charges	**1,145,000**	1,438,000	1,602,000	(293,000)
Miscellaneous	**583,302**	704,627	815,867	(121,325)
	$ 1,914,302	$ 2,277,627	$ 2,587,867	$ (363,325)

Staff charges decreased from 2021 primarily due to a lower allocation of costs in 2022.

Miscellaneous charges decreased from 2021 primarily due to additional 2021 payments to an executive for Restricted Share Unit (“RSU”) of $11,000 and Performance Share Unit (“PSU”) of $25,500, and $107,000 in higher stock-based compensation paid in 2021 compared to 2022.

Intercompany Transactions (Other)	Actual 2022	Actual 2021	Actual 2020	Variances 2022-2021
Charges to Fortis Ontario Inc.				
Staff charges	**$ 1,514**	$ 2,685	$ 105,907	$ (1,171)
Miscellaneous	**49,697**	48,018	219,076	1,679
	$ 51,211	$ 50,703	$ 324,983	$ 508
Charges to Maritime Electric				
Staff charges	**$ 1,555,373**	$ -	$ 997	$ 1,555,373
Miscellaneous	**376,679**	13,780	36,305	362,899
	$ 1,932,052	$ 13,780	$ 37,302	$ 1,918,272
Charges from Maritime Electric				
Miscellaneous	**$ 14,140**	$ -	$ 11,406	$ 14,140
Charges from Central Hudson Gas & Electric				
Miscellaneous	**$ -**	$ -	$ 4,068	$ -

Intercompany Transactions (Other) Cont'd.	Actual 2022	Actual 2021	Actual 2020	Variances 2022-2021
Charges to Fortis Belize Limited				
Staff charges	**$ 22,675**	$ 15,599	$ 12,991	$ 7,076
Miscellaneous	**4,457**	-	-	4,457
	$ 27,132	$ 15,599	$ 12,991	$ 11,533
Charges to Fortis Alberta Inc.				
Miscellaneous	**$ 4,970**	$ 9,960	$ -	$ (4,990)
Charges from Fortis Alberta Inc.				
Miscellaneous	**$ 12,886**	$ 37,612	$ 37,612	$ (24,726)
Charges to Fortis BC Inc./ Fortis BC Holdings				
Miscellaneous	**$ 9,820**	$ 19,430	$ -	$ (9,610)
Charges from Fortis BC Inc./ Fortis BC Holdings				
Miscellaneous	**$ 15,875**	$ 10,076	$ 10,075	$ 5,799
Charges to Fortis TCI Ltd.				
Staff charges	**$ 23,185**	$ -	$ -	$ 23,185
Miscellaneous	**-**	12,750	-	(12,750)
	$ 23,185	$ 12,750	$ -	$ 10,435

The most significant fluctuations from our analysis of other intercompany charges for 2022 compared to 2021 are as follows:

- Staff and miscellaneous charges to Maritime Electric increased by $1,918,272 in 2022 primarily due to Hurricane Fiona response.
- Miscellaneous charges from Maritime Electric increased by $14,140 in 2022 due to purchase of distribution cable and travel costs associated with a Maritime Electric executives' appointment to the Company's Board of Directors.
- Miscellaneous charges from Fortis Alberta Inc. decreased by $24,726 in 2022 due to SERP recovery costs for an employee ending in April 2022.
- Staff charges to Fortis Turks and Caicos increased by $23,185 due to assistance provided in the aftermath of Hurricane Fiona.
- Miscellaneous charges to Fortis Turks and Caicos decreased by $12,750 in 2022. This decrease was due to the sale and shipment of 200 electric utility meters from Newfoundland Power to Fortis Turks and Caicos in 2021.

Loans to and from Related Parties

The Company did not enter into any short-term loan agreements to or from related parties during the year.

In Order No. P.U. 19 (2003), the Board provided instructions to the Company with respect to the recording and reporting of intercompany transactions. Some of these instructions required reports to be filed with the Board at various times in 2022. It has been confirmed that quarterly reports relating to intercompany transactions have been filed for 2022.

As a result of completing our procedures in this area, nothing came to our attention that would lead us to believe that intercompany charges are unreasonable.

Other Company Fees and Deferred Regulatory Costs

The procedures performed for this category included a review of the transactions for 2022 and vouching of a sample of individual transactions to supporting documentation.

(000's)	Actual 2022	Actual 2021	Actual 2020	Variance 2022-2021
Other company fees				
Other company fees	**$ 4,136**	$ 3,118	$ 2,760	$ 1,018
Regulatory hearing costs	**331**	1,068	184	(737)
	$ 4,467	$ 4,186	$ 2,944	$ 281
Year over year percentage change	**6.7%**	42.2%	-27.5%	
Deferred regulatory costs				
Total deferred regulatory costs	**$ -**	$ 353	$ 353	$ (353)
Year over year percentage change	**-100.0%**	0.0%	20.1%	

Other company fees are higher in 2022 than 2021 primarily due to increased external consultant costs associated customer energy conservation programs, increased legal fees and increased external engineering studies.

Regulatory hearing costs are lower in 2022 than 2021 primarily due to the Company's 2022/2023 General Rate Application which was filed and settled in 2021 as well as increased costs associated with the Company's 2021 and 2022 Capital Budget Applications, which incurred in 2021.

As approved in Order No. P.U. 3 (2022) as part of the Company's 2022/2023 General Rate Application, the actual Board and Consumer Advocate hearing costs were recovered through the Rate Stabilization Account, therefore there is no deferred regulatory costs in 2022.

As noted in prior annual reviews, this category of costs often experiences significant fluctuations from year to year. In addition, the costs in this category generally relate to projects which are often non-recurring by nature. Consequently, we continue to recommend that this category be monitored closely on an annual basis.

Miscellaneous

The breakdown of items included in the miscellaneous expense category for 2020 to 2022 is as follows:

(000's)	Actual 2022	Actual 2021	Actual 2020	Variance 2022-2021
Miscellaneous	**$ 1,352**	**$ 1,248**	$ 1,459	$ 104
Cafeteria and lunchroom Supplies	**50**	**39**	48	11
Promotional items	**59**	**99**	88	(40)
Computer Software	**7**	**2**	5	5
Damage claims	**267**	**248**	206	19
Community relations activities	**1**	**-**	1	1
Donations and charitable advertising	**197**	**168**	132	29
Books, magazines and subscriptions	**19**	**46**	24	(27)
Miscellaneous lease payments	**32**	**32**	36	0
Total miscellaneous expenses	**$ 1,984**	**$ 1,882**	$ 1,999	$ 102
Year over year percentage change	**5.42%**	-5.85%	-0.30%	

Miscellaneous expenses by their very nature can fluctuate from year to year. From 2021 to 2022 these expenses have increased by 5.42% overall.

Our procedures in this expense category for 2022 included vouching a sample of transactions within the "miscellaneous category" to supporting documentation. Based upon the results of our procedures nothing has come to our attention to indicate that the 2022 expenses are unreasonable.

Conservation and Demand Management (CDM) and Electrification costs

In compliance with Order No. P.U. 7 (1996-97), the Company filed the 2022 Conservation and Demand Management Report with the Board. This report provided a summary of 2022 CDM activities and costs as well as the outlook for 2023.

In 2021, Newfoundland and Labrador Hydro and Newfoundland Power ("the Utilities") also finalized the joint Five-Year Conservation Plan: 2021-2025 (the "2021 Plan"), which was filed with the Board on December 16, 2020 and continues longstanding CDM programs while also introducing electrification programs. The 2021 Plan focused on electrification, conservation and demand management activities for the next five years, and features capital investment, program expansion and continued education efforts.

Customer CDM programs were implemented by the Utilities throughout 2022 in a manner consistent with past practice and existing Board orders. Electrification initiatives in 2022 consisted of the installation and operation of ten electric vehicle ("EV") charging stations, approved by the Board in Order No. P.U. 30 (2021), as well as customer education and awareness activities.

Total CDM and electrification related costs in 2022 totaled $7,743,000 compared to $6,002,000 in 2021. Conservation and electrification costs are higher than in 2021 primarily due to capital costs incurred relating to the EV Charging network. In Order No. P.U. 3 (2022) the Board approved the creation of the Electrification Cost Deferral Account.

In 2022, $5,227,000 ($3,659,000 after tax) in CDM costs were deferred. CDM amortization for 2022 was $3,709,000 (2021- $5,889,000). In 2022, $1,598,000 in electrification costs were deferred, however there was no amortization in 2022 as a recovery mechanism for these costs has not yet been approved by the Board.

Based upon the results of our procedures we concluded that CDM and Electrification costs are in compliance with Board Orders.

General Expense Capitalized (GEC)

($000's)	Actual 2022	Actual 2021	Actual 2020	Variance 2022-2021
Transfers (GEC)	**(5,370)**	(5,276)	(5,175)	(94)

The capitalization of pension costs has been reflected through the Company's General Expenses Capitalized ("GEC") account based on the GEC methodology approved by the Board in Order No. P.U. 3 (1995-96). In that Order, it was noted that Newfoundland Power was the only utility that included pension costs in a GEC allocation.

In Order No. P.U. 2 (2019), the Board approved the Company's proposal to increase the allocation of pension costs to GEC from 11% to 46%, to comply with Accounting Standards Update 2017-07 – *Improving the Presentation of Net Periodic Pension Costs and Net Periodic Post-Retirement Benefit Cost*, issued in March 2017 by the Financial Accounting Standards Board (the "Update"). This Update provided guidance that the amount of current service pension cost capitalized should reflect the proportion of labour costs that are related to capital work. Utilities that capitalize pension costs using a labour loader would already follow the proportion of labour costs that are related to capital work and therefore would not have been impacted by this Update.

In Order No. P.U. 3 (2022) the Board approved a change in the methodology from capitalizing pension costs from the indirect method via general expenses capitalized to the direct method via labour loader. Additionally, in Order No. P.U. 3 (2022) the Board approved The Pension Cost Capitalization Deferral Account to amortize the forecast revenue requirement increase of $1,427,000 associated with the change in the calculation of general expenses capitalized to be amortized over a 5 year period. This change in methodology, and commencement of amortization of the deferral account, is set to take effect on January 1, 2023.

Other Operating Expense Categories

In addition to the various categories of expenses commented on above, the other categories of operating and general expenses by breakdown were also analyzed for any unusual variances between 2022 and 2021.

From this analysis and explanations provided by the Company, the following observations were made with respect to the more significant fluctuations:

(000's)	Actual 2022	Actual 2021	Actual 2020	Variance 2022-2021
Vehicle expense	2,185	1,813	1,725	372
Operating materials	1,256	1,075	1,301	181
Inter-company charges	1,868	1,995	2,277	(127)
Plants, Subs, System Oper & Bldgs	3,716	3,495	3,484	221
Travel	1,143	678	638	465
Tools and clothing allowance	1,373	1,143	1,156	230
Conservation	1,600	1,652	2,172	(52)
Taxes and assessments	1,388	1,337	1,116	51
Uncollectible bills	2,027	1,111	2,290	916
Insurance	2,214	1,995	1,698	219
Severance & other employee costs	156	(17)	126	173
Education, training, employee fees	415	338	275	77
Trustee and directors' fees	687	686	673	1
Stationary & copying	240	168	246	72
Equipment rental/maintenance	671	664	656	7
Communications	2,937	2,874	2,786	63
Advertising	1,411	1,412	1,264	(1)
Vegetation management	3,230	2,524	2,306	706
Computing equipment & software	2,879	2,461	2,199	418
Other contract expenses	6,826	5,667	4,120	1,159

1. Vehicle expenses for 2022 were higher than 2021 primarily due to increased fuel prices and increased maintenance.
2. Plants, Subs, System Oper & Bldgs costs for 2022 were higher than 2021 primarily as a result of higher generation taxes and increased snow clearing.
3. Travel costs in 2022 were higher than 2021 primarily as a result of the resumption to normal Company travel following COVID-19.
4. Tools and Clothing Allowance costs for 2022 were higher than 2021 primarily due to additional safety clothing purchases and increased small tool purchases.
5. Uncollectible bills for 2022 were higher than 2021 primarily as a result of 2021 being low due to COVID support programs and the RSP refund in 2021 that contributed to improved aging of receivables and collection activities.
6. Insurance costs for 2022 were higher than 2021 due primarily to higher premium rates for property insurance.
7. Vegetation Management costs for 2022 were higher than 2021 due to increased distribution and transmission vegetation management activity in 2022.
8. Computing Equipment & Software costs for 2022 were higher than 2021 due to increases in third party software licensing costs.
9. Other contract expenses for 2022 were higher than 2021 due to increased third party work for telecommunications companies.

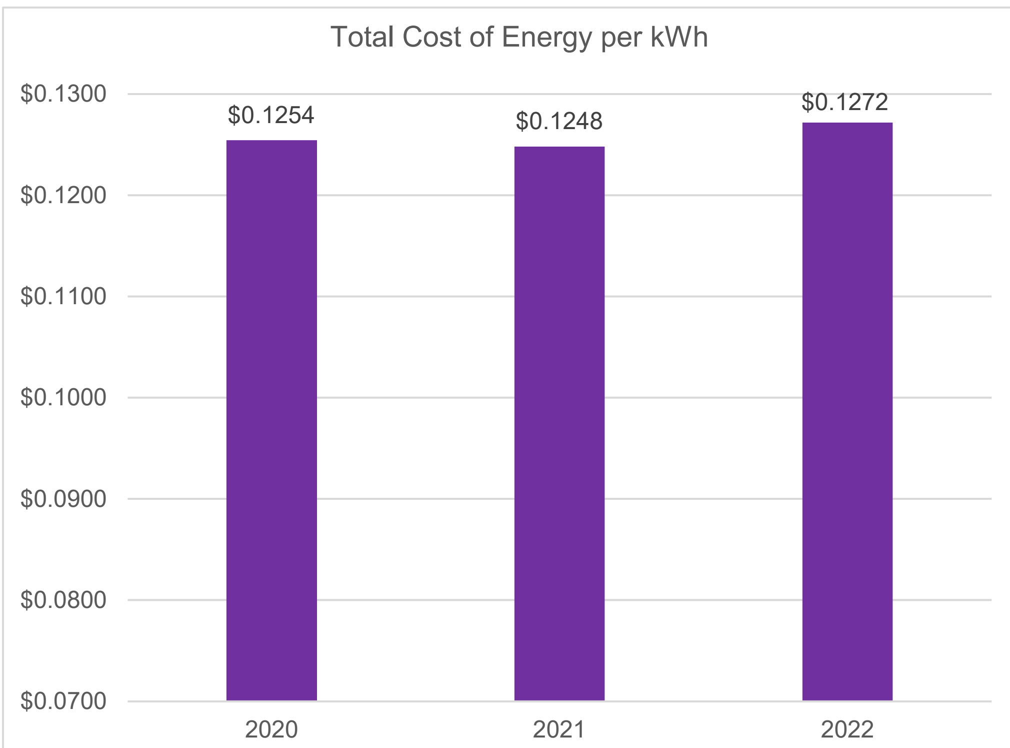
Other Costs

Scope: Conduct an examination of purchased power, depreciation, interest and income taxes to assess their reasonableness and prudence in relation to sales of power and energy and their compliance with Board Orders.

The following table and graph provide the total cost of energy (expressed in kWh) from 2020 to 2022:

000's

Year	kWh sold (000's)	Operating Expenses	Purchased Power	Deferred Cost Recoveries and Amortizations	Depreciation	Finance Charges	Income Taxes	Net Earnings	Total Cost of Energy	Cost per kWh
2020	5,729,000	$86,844	$468,844	($876)	$71,187	$37,146	$11,893	$43,577	$718,614	$0.1254
2021	5,715,000	$88,150	$461,393	($876)	$73,993	$35,311	$11,603	$43,757	$713,331	$0.1248
2022	**5,784,500**	**$86,581**	**$479,527**	**($656)**	**$78,187**	**$35,464**	**$11,002**	**$45,650**	**$735,755**	**$0.1272**



Purchased Power

We have reviewed the Company's purchased power expense for 2022 and have investigated fluctuations and changes. We performed a recalculation of the purchased power and investigated Hydro bills to ensure that the cost per kilowatt-hour charged by Newfoundland and Labrador Hydro is consistent with the established rates provided and found no errors.

Purchased power expense increased by $18.1 million, from $461.4 million in 2021 to $479.5 million in 2022. According to the Company, the costs were higher in 2022 primarily reflects higher energy purchases.

Depreciation

We have reviewed the Company's rates of depreciation and assessed its compliance with the Gannett Fleming Depreciation Study based on electric plant in service as of December 31, 2019 and assessed the reasonableness of depreciation expense.

The study was included in the 2022-2023 General Rate Application by the Company and was approved in Order No. P.U. 3 (2022). The depreciation rates from the 2019 depreciation study, including the amortization of the accumulated depreciation reserve, were implemented effective January 1, 2022. Gannett Fleming Valuation and Rate Consultants, LLC has recommended the continued use of the straight-line equal life group ("ELG") method in its 2019 depreciation study.

The objective of our procedures in this section was to ensure that the 2022 depreciation amounts and rates are in compliance with Board Orders, and in agreement with the recommendations of the 2019 Depreciation Study undertaken by Gannett Fleming Inc.

The specific procedures which we performed on the Company's depreciation expense included the following:

- agreed all depreciation rates to those recommended in the depreciation study;
- recalculated the Company's depreciation expense for 2022; and,
- assessed the overall reasonableness of the depreciation for 2022.

Amortization expense for 2022 is $78,187,000 as compared to $73,993,000 for 2021, representing a 5.7% increase. The 2022 and 2021 depreciation expense exclude the impact of the income tax deduction resulting from the cost of the removal of property, plant and equipment. The following table reconciles the depreciation as reported in the financial statements and the depreciation of fixed assets:

(000's)	**2022**	**2021**	**Variance 2022-2021**	**%**
Depreciation and amortization as reported	**$78,187**	$73,993	$4,194	5.7%
Less: Tax on Cost of Removal (1)	**(7,525)**	(6,447)	(1,078)	16.7%
Depreciation of Fixed Assets	**$70,662**	$67,546	$3,116	4.6%

Note 1: Recognized as a reduction in income tax for financial reporting purposes.

Depreciation of fixed assets for 2022 is $70,662,000 as compared to $67,546,000 for 2021, representing a 4.6% increase. The change is attributable to an increase of depreciable assets by approximately $73,821,000. The following table provides a comparison of the depreciation of fixed assets for 2022, 2021, and 2020:

(000's)	2022	2021	2020	Variance 2022-2021	Variance 2021-2020
Depreciation of Fixed Assets	**$70,662**	$67,546	$64,982	$3,116	$2,564

Note – A new depreciation study, based on the Company's electric plant as of December 31, 2019 was approved in Order No. P.U. 3 (2022), with effect from January 1, 2022.

Based on our review of depreciation expense, we conclude that the Company is in compliance with Order No. P.U. 19 (2003), Order No. P.U. 39 (2006), Order No. P.U. 32 (2007), Order No. P.U. 13 (2013), Order No. P.U. 18 (2016), Order No. P.U. 2 (2019) and Order No. P.U. 3 (2022). The recommendations and results of the Gannett Fleming Depreciation Study reported on the plant in service as of December 31, 2019 have been incorporated into the Company's depreciation calculations for 2022.

Finance Charges

Our procedures with respect to interest on long term debt and other interest included a recalculation of interest charges and assessment of reasonableness based on debt outstanding. The results of our procedures have been outlined below.

The following table summarizes the various components of finance charges expense for the years 2020 to 2022:

(000's)	Actual 2022	Actual 2021	Actual 2020	Variance 2022-2021
Interest				
Long-term debt	**$ 35,597**	**$ 35,450**	$ 36,811	$ 147
Other	**476**	**190**	624	286
Amortization				
Debt discount	**215**	**217**	233	(2)
Interest charged to construction	**(824)**	**(546)**	(522)	(278)
Total Finance charges	**$ 35,464**	**$ 35,311**	$ 37,146	$ 153
Year over year percentage change	**0.43%**	(4.94%)	3.38%	

The following observations were made with respect to finance charges:

- On April 27, 2022, the Company issued $75 million in first mortgage sinking fund bonds, with a 30 year term at an interest rate of 4.298%.

- The increase in other interest is due to higher interest on the Company's credit facilities and bank indebtedness in 2022 compared with 2021.

Based upon our analysis, nothing has come to our attention to indicate that the finance charges for 2022 are unreasonable.

Income Tax Expense

We have reviewed the Company's income tax expense for 2022 and have noted that the effective income tax rate decreased from 21.0% in 2021 to 19.4% in 2022. Actual income tax expense in 2022 and 2021 results in the following effective rates:

	2022	2021	2020	2022-2021
Income tax expense	**$ 11,002**	$ 11,603	$ 11,893	$ (601)
Earnings before income tax	**$ 56,652**	$ 55,360	$ 55,470	$ 1,292
Effective income tax rate	**19.4%**	21.0%	21.4%	(1.6%)

Income tax expense decreased by $601,000 compared to 2021. The statutory tax rate was 30.0% for both 2022 and 2021.

Based upon our review of the Company's calculations, and considering the impact of timing differences, nothing has come to our attention to indicate that income tax expense for 2022 is unreasonable.

Costs Associated with Curtailable Rates

In Order No. P.U. 7 (1996-97), the Board ordered that beginning January 1, 1997 all costs associated with curtailable rates shall be charged to regulated expenses, and not to the Rate Stabilization Account. The Board ordered that the demand credit for curtailment continue at $29/kVA until April 30, 1998. In Order No. P.U. 30 (1998-99), the Board ordered that this rate be extended until a review of the curtailment service option is presented at a public hearing. In Order No. P.U. 19 (2003) the Board accepted the recommendations of the parties, as set out in the Mediation Report, that the use of the Curtailable Service Option Credit of $29/kVA be retained as is until a change in Hydro's wholesale rates causes the matter to be reconsidered.

The total curtailment credits of $396,478 for the current period compare to a total of $391,149 for the same period during the previous year. According to the Company, the credit total for the 2021-2022 winter season is higher than the previous seasons total primarily due to variations in Option participants' demand and consumption as well as the mix of Option participants achieving full, partial, or no credit.

Nothing has come to our attention to indicate that the Company is not in compliance with Order No. P.U. 7 (1996-97) and Order No. P.U. 30 (1998-99).

Non-Regulated Expenses

Our review of non-regulated expenses included the following specific procedures:

- assessed the Company's compliance with Board Orders;
- compared non-regulated expenses for 2022 to prior years and investigated any significant fluctuations;
- reviewed detailed listings of expenses for 2022 and investigated any significant items; and
- assessed the reasonableness and appropriateness of the amounts being charged.

In the calculation of rates of return the following items are classified as non-regulated:

	Actual 2022	Actual 2021	Actual 2020	Variance 2022-2021
Charged from Fortis Companies	**$ 1,914,302**	$ 1,969,435	$ 2,251,000	$ (55,133)
Performance and restricted share units	**472,290**	899,513	1,083,018	(427,223)
Donations and charitable advertising	**342,354**	248,294	210,426	94,060
Executive short-term incentive	**474,164**	469,303	576,510	4,861
Miscellaneous	**31,353**	14,681	10,934	16,672
	3,234,463	3,601,226	4,131,888	(366,763)
Less: Income Taxes	**970,339**	1,080,368	1,239,566	(110,029)
Total non-regulated (net of tax)	**$ 2,264,124**	$ 2,520,858	$ 2,892,322	$ (256,734)

According to the Company, the executive STI includes payouts in excess of 100% of target payouts, 50% portion of the earnings metric and 50% portion of the cash flow metric as non-regulated expenses in compliance with Order No. P.U. 19 (2003), Order No. P.U. 18 (2016), and Order No. P.U. 3 (2022), respectively; for 2022, this represents an addition to non-regulated expenses (before tax adjustment) of $474,164 (2021 - $469,303). Details on the short-term incentive payouts are included in this report under the heading Short Term Incentive (STI) Program.

The income tax rate used by the Company for calculating total non-regulated expenses net of tax is 30% which agrees with the Company's statutory rate as identified in the 2022 annual report.

Based upon our review and analysis, nothing has come to our attention to indicate that the amounts reported as non-regulated expenses, as summarized above, are unreasonable or not in accordance with Board Orders.

Regulatory Assets and Liabilities

Scope: ***Conduct an examination of the changes to regulatory assets and liabilities***

Regulatory Assets and Liabilities

The following table summarizes Regulatory Assets and Regulatory Liabilities for 2022 and 2021:

(000's)	2022 Actual	2021 Actual	Variance 2022-2021
Regulatory Assets			
Load research and rate design cost deferral (x)	**$ 28**	$ -	$ 28
OPEBs asset (ii)	**10,512**	14,016	(3,504)
Cost recovery deferrals (vi)	**656**	-	656
Conservation and demand management deferral (iii)	**27,655**	23,458	4,197
Demand management incentive ("DMI") (viii)	**-**	1,917	(1,917)
Employee future benefits (iv)	**30,564**	21,397	9,167
Electrification deferral (vii)	**1,598**	-	1,598
Deferred income taxes (xi)	**243,550**	234,715	8,835
	$ 314,563	$ 295,503	$ 19,060
Regulatory Liabilities			
Rate stabilization account (i)	**$ 10,266**	$ 32,466	$ (22,200)
DMI (viii)	**153**	-	153
Weather normalization account (v)	**9,394**	2,885	6,509
Future removal and site restoration provision (ix)	**200,386**	187,622	12,764
	$ 220,199	$ 222,973	$ (2,774)

(i) Rate Stabilization Account

The Rate Stabilization Account ("RSA") primarily relates to changes in the cost and quantity of fuel used by Hydro to produce electricity sold to the Company. Effective July 1, 2022, the RSA also passes through amounts approved for the Muskrat Falls project cost recovery rider. On July 1st of each year, customer rates are recalculated in order to amortize the balance in the RSA as of March 31st over the subsequent 12-month period.

As of December 31, 2022, there was an amount transferred to the RSA of $3,800,000 (2021 - $25,400,000 refund) for recovery from customers related to the Energy Supply Cost Variance Reserve in accordance with Order No. P.U. 32 (2007) and Order No. P.U. 43 (2009).

Pursuant to Order No. P.U. 31 (2010), the Board approved the Company's proposal to create the OPEBVDA as of January 1, 2011. This account consists of the difference between the actual other post-employment benefit expense for any year from that approved for the establishment of revenue requirement from rates. The balance in this account will be transferred to the RSA on March 31st in the year in which the difference arises. As of March 31, 2022, there was a $75,400 transfer from the OPEBVDA to the RSA for refund to customers, as approved in Order No. P.U. 16 (2013).

Pursuant to Order No. P.U. 43 (2009), the Board approved the Company's proposal to create a PEVDA as of January 1, 2010. This account consists of the difference between the actual pension expense in accordance with accounting standards and the annual pension expense approved for rate setting purposes. The Company will charge or credit any amount in this account to the RSA as of March 31 in the year in which the difference relates. As of March 31, 2022, there was a $800,000 transfer from the PEVDA to the RSA for refund to customers.

Pursuant to Order No. P.U. 13 (2013), the Board approved the Company's proposal to transfer the annual balance accrued in the Weather Normalization Reserve account in the previous year to the RSA account on March 31 of the subsequent year and approved the deferral and amortization of annual conservation program costs over seven years with recovery through the RSA. As of March 31, 2022, $2,885,309 was debited and $3,709,485 was credited to the RSA for the Weather Normalization Reserve account and for the amortization of deferred customer energy conservation program costs respectively, in accordance with Order No. P.U. 13 (2013) and Order No. P.U. 3 (2022).

The RSA is also adjusted for the Demand Management Incentive Account for $1,917,734 for the 2021 balance as approved in Order No. P.U. 10 (2022), in addition to $491,302 in hearing costs from the 2022 GRA approved in Order No. P.U. 3 (2022). Finally, the RSA was adjusted by a $2,678,923 debit to true-up conservation program costs related to an increased amortization period of seven to ten years as approved in Order No. P.U. 3 (2022).

(ii) Other Post-Employment Benefits

The OPEB asset represents the cumulative difference between the OPEB expense recognized by the Company based on the cash basis and the OPEB expense based on accrual accounting required under accounting standards. In Order No. P.U. 43 (2009) the Board ordered that the Company file a comprehensive proposal for the adoption of the accrual method of accounting for OPEB costs as of January 1, 2011. The report was filed by Newfoundland Power on June 30, 2010. In summary, the Board ordered the approval, for regulatory purposes, of the accrual method of accounting for OPEBs costs and income tax related to OPEBs; recovery of the transitional balance, or regulatory asset, of $52.6 million as at January 1, 2011, over a 15-year period; and adoption of the OPEB Cost Variance Deferral Account. These recommendations were approved by the Board in Order No. P.U. 31(2010).

(iii) Conservation and Demand Management Deferral

The Conservation and Demand Management deferral account arose as a result of the Company's implementation of conservation and demand management programs. These costs totaled $1,357,000 (before tax) and the Board ordered pursuant to Order No. P.U. 13 (2009) that these costs be deferred until a further Order of the Board. In Order No. P.U. 43 (2009), the Board approved the Company's proposal to recover the 2009 conservation programming costs over the remaining four years of the five-year Energy Conservation Plan through the Conversation Cost Deferral Account. Amortization of this account commenced in 2010.

Pursuant to Order No. P.U. 13 (2013), the Board approved the Company's proposed change in definition of conservation program costs and the deferral and amortization of annual conservation program costs over seven years with recovery through the RSA. The actual costs incurred and deferred at December 31, 2022 were $27,655,000 with amortization of $3,709,485 in 2022.

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. The implementation of Order No. P.U. 3 (2022) resulted in a $1,875,000 true-up increase in deferred conservation costs in 2022 relating to annual deferred customer energy conservation program costs incurred up to December 31, 2021.

(iv) Employee future benefits

On November 10, 2011, the Company submitted an application to the Board requesting approval for the January 1, 2012 adoption of US GAAP for regulatory purposes. On December 15, 2011 pursuant to Order No. P.U. 27 (2011), the Board approved the Company's adoption of US GAAP for general regulatory purposes. Upon transition from Canadian GAAP to U.S. GAAP, there were several one-time adjustments with respect to the accounting for employee future benefits, as follows:

- The unamortized balances for transitional obligations associated with defined benefit pension plans, and the majority of the unamortized transitional obligation for OPEBs were required to be recorded as a reduction to retained earnings. The Board ordered that these balances be recorded as a regulatory asset to be amortized through 2017 as an increase to employee future benefits expense.
- The unamortized balances related to past service costs, actuarial gains or losses, and a portion of the unamortized transitional obligation for OPEBs were required to be recorded as a reduction to equity and classified as accumulated other comprehensive loss on the balance sheet. The Board ordered that these balances be reclassified as a regulatory asset. The amortization of these balances will continue to be included in the calculation of employee future benefit expense.
- The period over which pension expense is recognized differed between Canadian GAAP and U.S. GAAP. Therefore, the cumulative difference was recorded as a regulatory asset to be recovered from customers in future rates. The disposition of balances in this account will be determined by a further order of the Board.

In Order No. P.U. 27 (2011), the Board ordered that Newfoundland Power *"apply to the Board for approval of changes to existing regulatory assets and liabilities and the creation of any new regulatory assets and liabilities, along with appropriate definitions of the accounts related to these regulatory assets and liabilities, that will be required to effect the adoption of US GAAP".*

On April 9, 2012, the Company submitted an application to the Board requesting specific approval of the following:

- Opening balances for regulatory assets and liabilities of $131,249,000 (comprising the Defined Benefit Pension Plan regulatory asset of $109,197,000, OPEBs Plan regulatory asset of $21,116,000 and the PUP regulatory asset of $936,000) associated with employee future benefits which arise upon Newfoundland Power's adoption of US GAAP effective January 1, 2012; and,
- a definition of the account related to those regulatory assets and liabilities.

In Order No. P.U. 11 (2012) the Board approved the creation of a regulatory asset of $131.2 million, rather than a reduction in the Company's equity, to reflect the accumulated difference to January 1, 2012 in defined benefit pension expense calculated under U.S. GAAP and Canadian Generally Accepted Accounting Principles.

The period over which pension expense had been recognized differed between that used for regulatory purposes and U.S. GAAP. In Order No. P.U. 13 (2013), the Board approved that pension expense for regulatory purposes be recognized in accordance with U.S. GAAP effective January 1, 2013 and that the accumulated difference in pension expense to December 31, 2012 of $12,400,000 be amortized evenly over 15 years to pension expense.

As of December 31, 2022, the regulated asset for employee future benefits was $30,564,000.

(v) Weather Normalization Account

The Weather Normalization reserve reduces earnings volatility by adjusting purchased power expense and electricity sales revenue to eliminate variances in purchases and sales caused by the difference between normal and actual weather conditions.

Order No. P.U. 13 (2013) approved the transfer of the annual balance accrued in the Weather Normalization Account in the previous year to the RSA at March 31st of the subsequent year. In Order No. P.U. 9 (2023), the Board approved the December 31, 2022 net regulatory liability balance in the Weather Normalization Account of $9,394,000 ($6,576,000 net of deferred income tax).

(vi) Cost Recovery Deferral

In 2022, there was a shortfall of revenue due to a March 1, 2022, rate implementation date. In Order No. P.U. 3 (2022), the Board approved amortization over a 34-month period from March 1, 2022 to December 31, 2024 to provide recovery in customer rates of any 2022 revenue shortfall associated with the March 1, 2022 rate implementation. The 2022 revenue shortfall was approximately $930,000. The net regulatory asset for deferred costs – 2022 Revenue Shortfall at December 31, 2022 was $656,000 ($459,000 after tax).

(vii) Electrification Deferral

In 2020, the Board recommended the utilities develop a plan for appropriate electrification and CDM programming. Electrification programs aim to provide savings for participating customers through fuel savings. In the 2022/23 GRA the Company proposed an Electrification Cost Deferral account to provide for the deferral of costs relating to the implementation of its Customer Electrification Portfolio, including electrification program costs and charging infrastructure capital costs approved by the Board. This balance is to be credited for any funding received from the government relating to electrification, or any revenues stemming from company owned vehicle charging stations. The Board approved the proposals in Order No. P.U. 3 (2022). The electrification deferral balance as at December 31, 2022 was $1,598,000.

(viii) Demand Management Incentive

In Order No. P.U. 32 (2007), the Board approved the Company's proposal to create the Demand Management Incentive Account to replace the Purchased Power Unit Cost Variance Reserve. This account aims to isolate the demand costs and is equal to plus or minus 1% of test year wholesale demand charges. The Demand Management Incentive as at December 31, 2022 was a liability balance of $153,000 ($107,000 after tax).

(ix) Future Removal and Site Restoration Provision

The Future Removal and Site Restoration Provision account represents amounts collected in customer electricity rates over the life of certain property, plant, and equipment which are attributable to removal and site restoration costs that are expected to be incurred in the future. The balance is calculated using current depreciation rates. For 2022, the balance in this account was $200,386,000 (2021 - $187,622,000).

(x) Load Research and Rate Design Cost Deferral

In Order No. P.U. 3 (2022), the Board approved the Load Research and Rate Design Cost Deferral Account to defer costs related to the Load Research Study and Retail Rate Design Review, which is to be conducted by Newfoundland Power in accordance with the Settlement Agreement. The net regulatory asset for these deferrals as at December 31, 2022 was $28,000.

(xi) Deferred Income Taxes

Deferred income tax assets and liabilities associated with certain temporary timing differences between the tax basis of assets and the liabilities carrying amount are not included in customer rates. These amounts are expected to be recovered from (refunded to) customers through rates when the income taxes actually become payable (recoverable). The Company has recognized this deferred income tax liability with an offsetting increase in regulatory assets. Net regulatory asset for deferred income taxes at December 31, 2022 was $243,550,000.

Based upon our analysis, nothing has come to our attention to indicate that changes in regulatory deferrals for 2022 are unreasonable.

Pension Expense Variance Deferral Account

Scope: Review of calculation of the Pension Expense Variance Deferral Account and assess compliance with Order No. P.U. 43 (2009).

In Order No. P.U. 43 (2009), the Board approved the creation of the Pension Expense Variance Deferral Account. PEVDA was created to capture the difference between the annual pension expense approved for the test year revenue requirement and the actual pension expense computed in accordance with accounting standards for any subsequent year. The purpose of the PEVDA is to adjust the variability related to factors outside of the Company's control, primarily due to changes in discount rates. The balance in the PEVDA is a charge or credit to the RSA as of the 31st day of March in the year in which the difference arises.

The 2022 PEVDA was calculated at $756,982. This balance, a refund to customers, was transferred to the RSA on March 31, 2022 in accordance with Order No. P.U. 43 (2009).

We confirm that the 2022 PEVDA is calculated in accordance with Order No. P.U. 43 (2009).

Other Post-Employment Benefits Cost Variance Deferral Account

Scope: Review the calculation of the Other Post-Employment Benefits Cost Variance Deferral Account and assess compliance with Order No. P.U. 31(2010).

In Order No. P.U. 31 (2010), the Board approved the creation of the Other Post-Employment Benefits Cost Variance Deferral Account. OPEBVDA was created to capture the difference between the annual OPEBs expense approved for the test year revenue requirement and the actual OPEBs expense computed in accordance with accounting standards for any subsequent year. The purpose of the OPEBVDA is to adjust the variability related to factors outside the Company's control, primarily due to changes in discount rates. The OPEBs expense for the year is the total of (i) the OPEBs expense for regulatory purposes for the year, and (ii) the amortization of OPEBs regulatory asset for the year. The balance in the OPEBVDA is a charge or credit to the RSA as of the 31st day of March in the year in which the difference arises.

The 2022 OPEBVDA was calculated at $75,400. This balance, a refund to customers, was transferred to the RSA on March 31, 2022 in accordance with Order No. P.U. 31 (2010).

We confirm that the 2022 OPEBVDA is calculated in accordance with Order No. P.U. 31 (2010).

Productivity and Operating Improvements

Scope: Review the Company's initiatives and efforts with respect to productivity improvements, rationalization of operations and expenditure reductions. Inquire as to the Company's reporting on Key Performance Indicators.

On an ongoing basis, Newfoundland Power undertakes initiatives aimed at improving reliability of service and efficiency of operations. According to the information provided by Newfoundland Power, the productivity and operational improvements undertaken in 2022 are as follows:

1. Made capital investments of $118 million of which over 50% were targeted directly to replacing or refurbishing deteriorated and defective plant. Examples of renewal investments to maintain reliable service to customers include:

    a. Continued work under the Transmission Line Strategy which prioritizes projects based on physical condition, risk of failure, and potential customer impact in the event of a failure.

    b. Continued the Substation Modernization and Refurbishment program which targets the most deteriorated and obsolete substations.

    c. Continued feeder upgrades under the Rebuild Distribution Lines preventive maintenance program and the Distribution Reliability Initiative which targets the Company's worst performing feeders.

2. Continued with the installation of downline reclosers to provide for improved remote control of the distribution system along with improving the ability to locate and isolate system trouble. This provides efficiencies in outage response during normal operations and major events.

3. Continued collaboration with the Electric Power Research Institute ("EPRI") to test drones as an innovative solution for transmission and distribution line inspections. Using drones has the potential to improve safety, increase inspection quality and reduce costs over the long-term.

4. Completed implementation of electronic logging devices on all heavy fleet vehicles. The new GeoTab system replaces the Company's existing Record of Duty and Truck Inspection forms to comply with current federal and provincial regulations. Benefits include the ability to track vehicle idling time; reduce fuel costs, assess driver behavior, and analyze fleet data to improve safety, operational efficiency and fleet availability.

5. Continued implementing the second year of the six-year program to replace all HPS street light fixtures with LED fixtures. The program will result in lower customer rates as a result of lower energy and maintenance costs for LED street lights. LED street lights also provide more reliable and better quality lighting for customers.

6. Integrated the Street Light Outage Management System with the Geographical Information System and Asset Management System providing for more accurate and precise analysis of street light outage data. This map-based tool provides an exact street

light location, eliminates duplicate work requests and displays the status of street lights that are under construction or awaiting repair.

7. Implemented an electronic tailboard (or job safety plan) solution to provide more mobility and flexibility for users. It provides a central repository where a history of completed tailboard meetings can be audited for compliance, incident review and investigations, and training opportunities.

8. Converted a number of paper-based safety and operating forms (i.e., work observations, contractor inspections and tailboard workflows) to a digital format to improve efficiency and quality of information recorded.

9. Began the replacement of the Company's workforce management system due to software obsolescence. The replacement system will provide functionality equivalent to that of Newfoundland Power's existing system. This will allow the Company to maintain its service efficiency and responsiveness in the field.

10. Concluded revision of core safety code training delivered to employees. New testing procedures were developed and implemented to ensure comprehension and ability to apply core safety code principles.

11. Completed situational awareness training sessions facilitated by an industrial psychologist. The training program was aimed at helping employees maintain awareness of hazards and keep their mind on task to work undistracted.

12. Held firefighter and first responder electrical safety seminar and in-class school presentations. The Company reached a total of 165 students in 2022 through the Youth Electrical Safety program.

13. Adopted the Edison Electric Institute's Safety Classification and Learning ("SCL") model for incident classification. The SCL model defines a wider range and consistent classification of incidents and helps better characterize safety performance.

14. Successfully launched Web Chat to further enhance customer experience by allowing customers a convenient option to chat with Customer Service Representatives ("CSRs") live via the Company's website. Over 7,400 customer service requests were completed through this new channel.

15. Continued to promote e-bills to provide efficiencies in customer billing. E-bill enrollment grew by over 8,300 customers resulting in a 57.8% participation rate by the end of the year.

16. Completed the installation of remote disconnect meter technology ("Bridge Meters") at select locations which allow for disconnection for debt to be completed remotely. These meters provide a safety benefit by eliminating the need for a Field Service Representative ("FSR") to be dispatched to a premise where a high risk has been identified.

17. Implemented a new Email Dashboard to provide visibility on email response times to customer inquiries. The new dashboard offers insight into performance and service level

including the percentage of emails responded to within 48 hours, emails received/closed, and average turnaround times.

18. Completed installation of a new remittance scanner that allows the team to process cheques more efficiently while utilizing only 5% of the space the old scanner occupied. The new scanner includes software that allows Cash Services Clerks to upload processed cheques to the bank for remote deposit, removing the requirement for physical transport.

19. Continued implementation of the Company's new customer information system, which remained on track at 50% completion at the end of 2022.

20. Conducted regular phishing security tests throughout the year to foster a culture of sound cybersecurity. The Company's average employee phishing training and testing results were above industry peers with a pass rate of 99.2% compared to the industry average of 95%.

21. Implemented a new Security Information and Event Management to capture logs from all assets in Corporate and SCADA networks along with User Entity and Behaviour Analytics agents on workstations to detect security events or anomalies on the Company's network.

22. Completed segmentation of a number of servers and applications on the Company's network to restrict access through utilization of the Privileged Access Management system put in place in 2020. Segmentation safeguards improve security.

23. Implemented a new Endpoint Privilege Management system with agents on all workstations in the corporate network. This system reduces risk from malicious programs being installed on workstations.

24. Received 62 proposals from municipalities for energy-efficiency upgrades within their communities in response to the 2022 takeCHARGE of your Town Challenge. This represents the largest annual volume of applications received to date.

25. Continued to provide conservation and demand management programs to manage system costs.

    a. Expanded the takeCHARGE insulation program to include duct insulation and air sealing.

    b. Launched the "Energy Savers Kit" program, which provides free energy efficiency kits to income qualified customers. Over 2,000 kits were distributed to customers in the first year of the program.

26. Introduced the Small Business Direct Install Pilot Program targeting small business customers. The pilot program provides qualified small business customers with a free energy assessment and select free energy efficiency upgrades. The pilot will be evaluated after two years to see if the program should be offered to a wider customer base.

27. Installed 20 EV chargers at 10 EV charging station sites to assist in breaking down the infrastructure barrier for EV adoption which will provide an economic benefit to the Company's customers as confirmed through a net present value analysis.

28. Conducted a Diversity Census and Inclusion Survey in partnership with the Canadian Centre for Diversity and Inclusion ("CCDI"). The survey was completed by 63% of employees and was used to better understand the Company's inclusion and diversity culture to inform future planning, training and programs.

29. Held mandatory inclusion and diversity training courses including:

    a. Inclusion and Diversity and You provided to all employees.

    b. Inclusive Leadership provided to all managerial employees.

    c. A virtual training course in partnership with First Light to provide employees with an introduction to the indigenous groups and history of this province.

    d. The Equitable Workplace: Cultivating Attitudes of Anti-Racism and Allyship, a three-module program offered by Lifeworks for all senior leadership and executives.

30. Began conversion to a new group insurance provider, Sunlife, to provide employees with equivalent or improved coverage. The Company also expanded the mental health insurance benefits to provide employees and their families with comprehensive coverage and additional supports beyond the Employee and Family Assistance Program ("EFAP"). Additionally, the Company reviewed its EFAP and implemented a new program in partnership with Homewood Health, a leader in the EFAP industry.

31. Introduced a flexible work policy to provide managerial employees with flexible work options. The development of this policy supports a productive and inclusive work environment and enhances the Company's ability to attract and retain talent.

32. Upgraded the Company's Human Resource Management System ("HRMS"), best known as ViP to ensure compliance for support with the vendor to improve functionality within of payroll, benefits, personal information and recruitment features within ViP.

Performance Measures

Newfoundland Power notes its performance targets focus on the Company's ability to reasonably control costs, while continuing to improve service reliability, maintain good customer service satisfaction results and a strong safety and environmental record.

The performance targets are established based on historical data, adjusted for anomalies where necessary, and reflect either stable performance or continued improvement over time. Actual results are tracked using various internal systems and processes. They are reported and re-forecasted internally on a monthly basis.

The following table lists the principal performance measures used in the management as provided by the Company.

Category	Measure	Actual 2020	Actual 2021	Actual 2022	Plan 2022	Measure Achieved
Reliability	Outage Hours/Customer (SAIDI) – excluding Hydro loss of supply[1]	2.98	2.48	3.02	2.55	No
	Outage/Customer (SAIFI) – excluding Hydro loss of supply[1]	2.35	1.96	2.06	1.85	No
	Plant Availability (%)	96.8	96.0	94.8	95.0	No
Customer Satisfaction	% of Satisfied Customers as measured by Customer Satisfaction Survey	87.6	88.3	87.2	86.8	Yes
	Call Centre Service Level (% per second)[2]	81/60	81/60	82/60	80/60	Yes
	Trouble Call Responded to Within 2 Hours (%)	80.0	86.0	85.0	85.0	Yes
Safety	All Injury/Illness Frequency Rate	0.7	0.6	0.7	0.6	No
	Quality Leading Indicators[3]	-	84.8	89.0	-	-
Financial	Earnings (millions)[4]	$43.2	$43.8	$45.7	$44.0	Yes
	Gross Operating Cost/Customer[5]	$235	$233	$258	$244	No

[1] 2020 statistics exclude a January storm and Snowmageddon. 2021 statistics exclude a January storm, Hurricane Larry, and a December storm.
[2] Service level is based on calls answered in 60 seconds.
[3] Implemented measure in 2021. Plan not available prior to 2023.
[4] Excludes earnings applicable to common shares.
[5] Excludes conservation program, electrification program, employee future benefit costs and non-regulated expenses.

The following table compares whether the Company measures were achieved during the 2020, 2021, and 2022 years:

Category	Measure	Measure Achieved 2020	Measure Achieved 2021	Measure Achieved 2022
Reliability	Outage Hours/Customer (SAIDI) – excluding Hydro loss of supply	No	Yes	No
	Outage/Customer (SAIFI) – excluding Hydro loss of supply	No	No	No
	Plant Availability (%)	Yes	Yes	No
Customer Satisfaction	% of Satisfied Customers as measured by Customer Satisfaction Survey	Yes	Yes	Yes
	Call Centre Service Level (% per second)	Yes	Yes	Yes
	Trouble Call Responded to Within 2 Hours (%)	No	Yes	Yes
Safety	All Injury/Illness Frequency Rate	Yes	Yes	No
Financial	Earnings (millions)	Yes	Yes	Yes
	Gross Operating Cost/Customer	Yes	Yes	No