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Board of Commissioners of Public Utilities  
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**Ms. Cheryl Blundon**  
**Director - Corporate Services & Board Secretary**

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September 19, 2019

Dear Ms. Blundon,

**Re: Newfoundland Power Inc.**  
**2019 Proposed Changes to Customer Rates**

**INTRODUCTION AND SCOPE**

We have completed our review of Newfoundland Power Inc.'s (the "Company") Application on September 13, 2019 ("Application") requesting approval of the Rate Stabilization Adjustment ("RSA") and Municipal Tax Adjustment ("MTA") to be applied to the rates of the Company for the period October 1, 2019 to June 30, 2020 pursuant to Section 71 of the Public Utilities Act. We also reviewed the incorporation of the Utility base rates submitted by Newfoundland and Labrador Hydro ("Hydro") on July 11, 2019 and approved by the Board in Order No. P.U. 30 (2019).

Our procedures were focused on ensuring the methodology and calculations relating to the RSA, the MTA and Utility base rates were in compliance with Board Orders. More specifically, our procedures with respect to confirming the Company's calculations in Schedules 2 and 3 included agreeing the various components to source data. We also reviewed the amendments to the Rates, Rules and Regulations.

The scope of our review is as follows.

1. Confirm the calculation, found in Schedule 2, of the Rate Stabilization Adjustment ("RSA") of 0.043 cents per kWh;
2. Confirm the calculation, found in Schedule 3, of the Municipal Tax Adjustment ("MTA") factor of 1.02398;
3. Ensure the calculations included in Schedules 2 and 3 are in accordance with Board Orders;

4. Ensure that Hydro's monthly 2017 GRA Cost Recovery Rider of \$892,219 is incorporated into customer rates;
5. Ensure the Company's schedule of Rates, Rules and Regulations as set out in Schedule 4 incorporates the increase in the Utility base rate approved by the Board in Order No. P.U. 30 (2019), and the 2019 RSA and MTA adjustments included in the Application; and,
6. Review the appropriateness of the amendments to the Rates, Rules and Regulations included in the Application.

### **FINDINGS:**

#### **Utility Base Rates, RSA and MTA**

Based upon the results of our procedures we can advise that we did not note any discrepancies in the calculations or methodology and therefore:

- Confirm that the Company's calculation in Schedule 2 of the Application, which represents the Rate Stabilization Adjustment effective October 1, 2019 of 0.043 cents per kWh, is appropriate. During our review we noted that the Company has proposed that Hydro's 2017 GRA Cost Recovery Rider of \$892,219 per month is recovered through the RSA. As part of our procedures we confirmed that the calculation of the RSA incorporates the 2017 GRA Cost Recovery Rider appropriately.
- Confirm that the Company's calculation in Schedule 3 of the Application, which represents the Municipal Tax Adjustment factor effective October 1, 2019 of 1.02398, is appropriate.
- Confirm that the Company's schedule of Rates, Rules and Regulations as set out in Schedule 4 incorporates the Utility base rate approved by the Board in Order No. P.U. 30 (2019), and the 2019 RSA and MTA adjustments included in the Application.

#### **Rates, Rules and Regulations amendments**

Schedule 4 of the Application provides a proposed Schedule of Rates, Rules and Regulations to be approved by the Board effective October 1, 2019. The proposed revisions to the Rate Stabilization Clause included in the Schedule of Rates, Rules and Regulations include:

- Hydro's 2017 GRA Cost Recovery Adjustment in the calculation of the RSA.
- The definition of Hydro's rate adjustments.
- Flow through of Purchased Power costs.

Based upon the results of our review of the revised Rate Stabilization Clause we can advise that we did not note any issues of concern and therefore:

- Confirm that the revised Schedule of Rates, Rules and Regulations appropriately incorporates Hydro's 2017 GRA Cost Recovery Adjustment in the calculation of the Company's recovery adjustment factor of the RSA in paragraph I Rate Stabilization Adjustment ("A").
- Confirm that the revised Schedule of Rates, Rules and Regulations appropriately incorporates the definition of Hydro's rate adjustments and appropriately revises Section II.4 for the flow through of Purchased Power costs.

I trust this is the information you requested. If you have any questions please contact me.

Yours sincerely,  
**Grant Thornton LLP**



Chris Brake, CPA, CA  
Partner  
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