

Board of Commissioners of Public Utilities 120 Torbay Road Prince Charles Building St. John's, NL A1A 5B2

Ms. Cheryl Blundon
Director - Corporate Services & Board Secretary

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June 18, 2021

Dear Ms. Blundon,

Re: Newfoundland Power Inc.

2021 Proposed Changes to Customer Rates

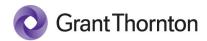
INTRODUCTION AND SCOPE

We have completed our review of Newfoundland Power Inc.'s (the "Company") Application on June 10, 2021 ("Application") requesting approval of the Rate Stabilization Adjustment ("RSA") and Municipal Tax Adjustment ("MTA") factor to be applied to the rates of the Company for the period July 1, 2021 to June 30, 2022 pursuant to Section 71 of the Public Utilities Act. We also reviewed the incorporation of the Utility rates proposed by Newfoundland and Labrador Hydro ("Hydro") in its application filed on June 8, 2021.

Our procedures were focused on ensuring the methodology and calculations relating to the RSA, the MTA and Utility rates were in compliance with Board Orders and Hydro's proposed application on June 8, 2021. 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.

- Confirm the calculation, found in Schedule 2, of the RSA of 0.329 cents per kWh;
- Confirm the calculation, found in Schedule 3, of the MTA factor of 1.02559;
- 3. Ensure the calculations included in Schedules 2 and 3 are in accordance with Board Orders;



- Review the revisions addressing the conclusion of recovery of costs associated with Newfoundland and Labrador Hydro's ("Hydro") monthly 2017 GRA Cost Recovery Rider of \$892,219 incorporated into customer rates;
- Ensure the Company's schedule of Rates, Rules and Regulations as set out in Schedule 4
 incorporates the increase in the Utility rates proposed by Hydro on June 8, 2021 and the 2021 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 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 RSA effective July 1, 2021 of 0.329 cents per kWh, is appropriate. During our review we noted that the Company has proposed revisions addressing the conclusion of recovery of costs associated with Hydro's monthly 2017 GRA Cost Recovery Rider of \$892,219 incorporated into customer rates. As part of our procedures we confirmed that the calculation of the RSA no longer incorporates the 2017 GRA Cost Recovery Rider.
- Confirm that the Company's calculation in Schedule 3 of the Application, which represents the MTA factor effective July 1, 2021 of 1.02559, is appropriate.
- Confirm that the Company's schedule of Rates, Rules and Regulations as set out in Schedule 4
 incorporates the Utility rates proposed by Hydro on June 8, 2021, and the 2021 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 July 1, 2021. The proposed revision to the Rate Stabilization Clause included in the Schedule of Rates, Rules and Regulations includes:

Concluding Hydro's 2017 GRA Cost Recovery Adjustment in the calculation of the RSA.

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 excludes 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").



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

Yours sincerely,

Grant Thornton LLP

Barry Griffiths, CPA, CA

Principal