



Grant Thornton

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Attention: Ms. Cheryl Blunden

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November 30, 2020

Dear Ms. Blunden,

**Re: Newfoundland Power Inc.
2021 Return on Rate Base Application**

We have completed our review as requested in your letter dated November 16, 2020 relating to Newfoundland Power Inc.'s (the "Company's") 2021 Return on Rate Base Application ("Application") as it pertains to the calculations of the 2021 average rate base and rate of return on rate base maintaining the ratemaking common equity ratio and return on common equity.

Our procedures with respect to verifying the calculations of the 2021 forecast average rate base and rate of return on rate base maintaining the ratemaking common equity ratio and return on common equity were directed towards the verification of the data incorporated in the calculations provided by the Company. Specifically, the procedures which we performed included the following:

- agreed carry-forward data to supporting documentation including audited financial statements for 2019 and forecast average rate base information provided by the Company for forecast 2020;
- checked the clerical accuracy of the average rate base calculation, rate of return on rate base and capital structure for 2021; and,
- agreed that the calculations of the average rate base calculation, rate of return on rate base and common equity ratio for 2021 are in compliance with Board's determinations as approved in P.U. 2 (2019).

The results of our review are noted below:

2021 FORECAST AVERAGE RATE BASE CALCULATION

In P.U. 2 (2019) the Board of Commissioners of Public Utilities (the "Board") ordered that the Company file an application on or before November 15, 2020 for approval of the 2021 forecast average rate base and rate of return on rate base maintaining the ratemaking common equity ratio and return on common equity established in the 2019/2020 General Rate Order.

Based on the information provided by the Company in Appendix B of the Application, the average rate base for forecast 2021 is \$1,206,106,000 and the rate of return on rate base is 6.65% in a range of 6.47% to 6.83% based on maintaining the ratemaking common equity ratio and return on common equity.

FINANCIAL METRICS

The following table shows a comparison of the Company's financial metrics for 2020 test year, 2021 forecast and 2021 pro forma maintaining the ratemaking common equity ratio and return on common equity established in the 2019/2020 General Rate Order:

| | 2020 Test Year | 2021 Forecast | 2021 Pro Forma |
|---------------------------------|----------------|---------------|----------------|
| Average Rate Base (\$000s) | 1,179,055 | 1,206,106 | 1,206,106 |
| Return on Rate Base (\$000s) | 83,000 | 78,793 | 80,208 |
| Rate of Return on Rate Base | 7.04% | 6.53% | 6.65% |
| Rate of Return on Common Equity | 8.50% | 8.25% | 8.50% |
| Average Capitalization Ratios: | | | |
| Total Debt | 54.28% | 55.16% | 55.16% |
| Preference Shares | 0.76% | 0.00% | 0.00% |
| Common Equity | 44.96% | 44.84% | 44.84% |

The 2021 pro forma calculations by the Company in the Application reflects the requirements of the 2019/2020 General Rate Order of a common equity ratio not to exceed 45% and a rate of return on common equity of 8.5%.

Based upon the results of the above procedures we did not note any discrepancies in the calculation of the 2021 forecast and pro forma average rate base, return on rate base, rate of return on rate base, rate on return of common equity, and capital structure; and therefore conclude that these calculations included in the Appendices of Schedule 1 of the Company's Application is in accordance with Board Orders.

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

Yours sincerely,
Grant Thornton LLP



Barry Griffiths, CPA, CA
Principal - Assurance Services