

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

Attention: Jo-Anne Galarneau
Executive Director and Board Secretary

Doane Grant Thornton LLP
Suite 300
15 International Place
St. John's, NL
A1A 0L4

T +1 709 778 8800
F +1 709 722 7892
[www. DoaneGrantThornton.ca](http://www.DoaneGrantThornton.ca)

September 25, 2025

Dear Ms. Galarneau,

Re: Newfoundland and Labrador Hydro
2024 Average Rate Base

We have completed our review as requested in your correspondence dated July 25, 2025 relating to Newfoundland and Labrador Hydro's (the "Company") ("Hydro") 2026 Capital Budget Application (Schedule 6) as it pertains to the computation of the 2024 average rate base for which the Company requests approval from the Board of Commissioners of Public Utilities (the "Board").

The procedures undertaken in the course of our financial analysis do not constitute an audit of the Company's financial information and consequently, we do not express an opinion on the financial information.

Our procedures with respect to verifying the calculation of the average rate base were directed towards the verification of the data incorporated in the calculations and the methodology used by the Company. Specifically, the procedures which we performed included the following:

- agreed all carry-forward data to supporting documentation including audited financial statements and internal accounting records, where applicable;
- agreed component data (capital expenditures; depreciation; etc.) to supporting documentation;
- checked the clerical accuracy of the continuity of the rate base for 2024; 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.

2024 Average Rate Base Calculation

We noted that the 2024 average rate base of \$2,379,043,000 presented in the 2026 Capital Budget Application agrees to the 2024 Annual Return.

The table below presents the average rate base for 2024 consistent with Schedule 6 as filed by Hydro on July 15, 2025:

Table 1: Hydro's 2024 Average Rate Base

(000s)	2024
Capital Assets - Return 4	\$ 3,118,245
Work in Progress	62,088
	3,180,333
Deduct:	
Accumulated Depreciation - Return 6	(773,107)
Contribution in Aid of Construction - Return 7	(66,689)
Total Capital Assets	2,340,537
Deduct Items Excluded from Rate Base:	
Work in Progress	(62,088)
Asset Retirement Obligations (net of amortizations)	(10,385)
Net Capital Assets	2,268,064
Net Capital Assets, Previous Year	2,196,889
Unadjusted Average Capital Assets	2,232,477
Deduct:	
Average Net Capital Assets Excluded from Rate Base	(7,713)
Average Capital Assets	2,224,764
Cash Working Capital Allowance - Return 8	1,416
Fuel Inventory - Return 10	53,950
Supplies Inventory - Return 10	43,698
Average Deferred Charges - Return 11	55,215
Average Rate Base at Year-End - Return 12	\$ 2,379,043

Average net assets excluded from rate base decreased from \$7,811,000 in 2023 to \$7,713,000 in 2024. The average net capital assets excluded from rate base are detailed in the following table.

Table 2: Hydro's 2024 Average Net Capital Assets Excluded From Rate Base

(000's)	2024
HRD Unit 1	\$ 107
Holyrood Fuel Oil Heat Trace	53
Charlottetown Diesel Plant	206
Sunnyside Transformer T8	3,715
Sunnyside Breaker, B1L17, Overhaul	314
Lab City Voltage Conversion	150
WAV Transformer T5 - Perform Upgrades	1,057
Holyrood Air Heaters Units 1, 2, & 3	158
Phase 1 - EV Charging Network ¹	271
Phase 2 - EV Charging Network ¹	361
Unit #1 CR Line Failure 2021 ²	528
TL226, TL239, TL259 WIDEN ROW ³	311
Other ⁴	479
Total	\$7,713

Note 1: In Order Nos. P.U. 7 (2020) and P.U. 30 (2021), the Board ordered the Company to exclude costs in rate base pertaining to Phase 1 and Phase 2 of the EV Charging Network projects, respectively.

Note 2: Management decision to exclude from rate base.

Note 3: Awaiting easement approval and as such excluded from rate base by Management.

Note 4: Relating to expenditures within the Prudence Review of Order No. P.U. 13 (2016). Also includes expenditures related to transformer upgrades. According to Hydro, during replacement of the transformer bushings on Come-By-Chance transformer T1, a draw lead was dropped inside the transformer tank, which required additional cost and effort to remedy. As these additional costs were incurred as a result of an error, Hydro did not seek recovery of these costs from the customer.

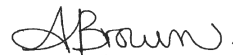
We reviewed Hydro's average rate base as summarised in Table 1. We conclude, based on our procedures, that the 2024 average rate base reflected in Schedule 6 is in accordance with established practice and relevant Board Orders.

We trust this is the information you requested. If you have any questions, please contact us.

Yours sincerely,
Doane Grant Thornton LLP



Barry Griffiths, CPA, CA
Principal



Angie Brown, CPA, CA, CIA
Partner