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

September 1, 2026

Dear Mr. McNiven,

Re: Newfoundland and Labrador Hydro
2025 Average Rate Base

We have completed our review as requested in your correspondence dated July 21, 2026 relating to Newfoundland and Labrador Hydro's (the "Company") ("Hydro") 2027 Capital Budget Application (Schedule 6) as it pertains to the computation of the 2025 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 2025; 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.

2025 Average Rate Base Calculation

We noted that the 2025 average rate base of $2,486,782,000 presented in the 2027 Capital Budget Application agrees to the 2025 Annual Return.

The table below presents the average rate base for 2025 consistent with Schedule 6 as filed by Hydro on July 14, 2026:

Table 1: Hydro's 2025 Average Rate Base

(000s)	2025
Capital assets - Return 4	$ 3,303,243
Working in progress	89,941
	3,393,184
Deduct:	
Accumulated depreciation - Return 6	(827,789)
Contribution in aid of construction - Return 7	(66,639)
Total capital assets	2,498,756
Deduct items excluded from rate base:	
Work in progress	(89,941)
Asset retirement obligations (net of amortizations)	(13,422)
Net capital assets	2,395,393
Net capital assets, previous year	2,268,064
Unadjusted average capital assets	2,331,729
Deduct:	
Average net capital assets excluded from rate base	(7,631)
Average capital assets	2,324,098
Cash working capital allowance - Return 8	1,229
Fuel inventory - Return 10	57,161
Supplies inventory - Return 10	46,725
Average deferred charges - Return 11	57,569
Average rate base at year-end - Return 12	**$ 2,486,782**

Average net capital assets excluded from rate base decreased from $7,713,000 in 2024 to $7,631,000 in 2025. The average net capital assets excluded from rate base are detailed in the following table.

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Table 2: Hydro's 2025 average net capital assets excluded from rate base

(000s)	2025
HRD unit 1	$ 89
Holyrood fuel oil heat trace	44
Charlottetown diesel plant	188
Sunnyside transformer T8	3,612
Sunnyside breaker, B1L17, overhaul	314
Lab City voltage conversion	144
WAV transformer T5 - perform upgrades	1,024
Holyrood air heaters units 1, 2, & 3	131
Phase 1 - EV charging network[1]	240
Unit #1 CR line failure 2021[2]	437
Phase 2 - EV charging network[1]	328
TL226,TL239,TL259 widen row[3]	618
Other[4]	463
Total	**$ 7,631**

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) and includes terminal station, metering, control, protection and other miscellaneous assets. Also included in Other are expenditures related to transformer upgrades. According to Hydro, during replacement of the transformer bushings on Come-By-Chance transformer TI, 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 summarized in Table 1. We conclude, based on our procedures, that the 2025 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