

WHENEVER. WHEREVER.
We'll be there.



HAND DELIVERED

November 14, 2016

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: Ms. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies & Gentlemen:

Re: Newfoundland and Labrador Hydro - Application for Top Up to the Allowance for Unforeseen items for the Construction and Purchase of Certain Improvements and Additions to its Property - Request for Comments

Background

On October 28, 2016, Newfoundland and Labrador Hydro ("Hydro") filed an application with the Board (the "Application") seeking approval of the addition of a supplementary allowance of \$1,000,000 to Hydro's 2016 Allowance for Unforeseen Items. By letter dated November 2, 2016, the Board requested that comments on the Application be submitted by today's date.

The Application

The Application is premised on the depletion of the existing allowance, which was most recently approved by the Board in Order No. P.U. 8(2016). The Application states that the allowance will be depleted on account of two unforeseen capital projects, described in the Application as (i) the Bay D'Espoir Access Roads Refurbishment and (ii) the Bay D'Espoir Penstock 1 Refurbishment.

The Capital Budget Guidelines (the "Guidelines") provide that a utility may apply for supplemental approval of an additional amount in the Allowance for Unforeseen Items account. The Guidelines require that, if an application for approval of a supplementary allowance is made, the utility will have to show that the usage to date of the account was consistent with the Guidelines.

Newfoundland Power Inc.

55 Kenmount Road • P.O. Box 8910 • St. John's, NL A1B 3P6
PHONE (709) 737-5609 • FAX (709) 737-2974 • ghayes@newfoundlandpower.com

Newfoundland Power agrees that an appropriate balance should be maintained in the Allowance for Unforeseen Items to permit Hydro to address unforeseen events that may arise in the remainder of the year. Newfoundland Power therefore submits the Board should approve the Application.

Justification of Expenditures

The Bay D'Espoir and Upper Salmon Generating Stations play a critical role in the Island Interconnected system. Any work reasonably required to ensure the availability of these generation sources for the winter season should therefore be undertaken as soon as possible. On that basis, it would appear that these are exigent circumstances of the kind contemplated by the Guidelines respecting use of the Allowance for Unforeseen Items.

The two capital projects described in the Application, involve material expenditures. These expenditures, estimated at \$4.6 million and \$12.9 million, respectively, must ultimately be justified as prudent. In that regard, the Guidelines provide for detailed justification following completion of the work. Newfoundland Power therefore requests an opportunity to consider and comment on the project expenditures once Hydro has submitted the detailed reports required by the Guidelines.

Concluding

If you have any question regarding Newfoundland Power's submissions in this matter, please contact the undersigned.

Yours very truly,



Gerard M. Hayes
Senior Counsel

c. Geoffrey Young
Newfoundland and Labrador Hydro

Sheryl Nisenbaum
Praxair Canada Inc.

Paul Coxworthy
Stewart McKelvey Stirling Scales

Dennis Browne, QC
Browne Fitzgerald Morgan & Avis

Thomas O'Reilly, QC
Cox & Palmer

Larry Bartlett
Teck Resources Limited

Newfoundland Power Inc.

55 Kenmount Road • P.O. Box 8910 • St. John's, NL A1B 3P6
PHONE (709) 737-5609 • FAX (709) 737-2974 • ghayes@newfoundlandpower.com