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October 10, 2013

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Via Electronic Mail and Courier

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

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

Dear Ms. Blundon:

Re: 2014 Hydro Capital Budget Application – Rate Base Issues

We write on behalf of the Island Industrial Customers Group, in response to the Board's correspondence dated October 8, 2013 regarding the above issue.

We thank the Board for providing this opportunity to comment on this issue, which as we understand it has been identified by Grant Thornton's review of Section K of the Application, as reported upon in the Grant Thornton report to the Board dated September 20, 2013, and circulated to the parties on September 30, 2013.

Unfortunately, the Grant Thornton report was received after the RFI filing deadline for this Application, and in the midst of a challenging regulatory schedule for this and other matters before the Board. However, in the view of the Island Industrial Customers, the issues identified by the Grant Thornton review are very important and should be addressed by a process commensurate with their importance.

The Board has asked for the parties' comments, by today, on the Rate Base Issue, or to confirm that they are in agreement with the position taken by Hydro in this Application. However, we are not aware that Hydro has made any response to the September 20, 2013 Grant Thornton report, nor does our review of the one page calculation by Hydro of the Average Rate Base identify any position or explanation of Hydro for the proposed inclusion in the 2012 and 2011 rate base of capital asset expenditures which have not been approved by the Board in relation to the upgrade of the Cat Arm access road, the Black Tickle Diesel Fire Restoration Project and the 2011 capital asset purchases identified by Grant Thornton's review. Indeed, a review of Section K of the Application does not disclose that these discrete amounts were included in the Average Rate Base calculation presented by Hydro, even though other matters not apparent on the face of that calculation were the subject of footnotes.

The Island Industrial Customers respectfully submit that the most appropriate process to address this issue would be for Hydro to present, in this Application, its position and justification for seeking approval of these unapproved capital expenditures in 2012 and 2011 rate base and the opportunity for the parties to respond to that position and justification, or otherwise for Hydro

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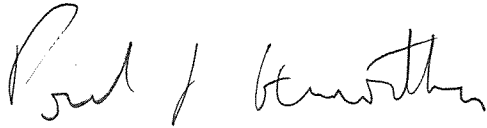
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to withdraw the request for such approval in this Application, and seek that approval by way of a separate Application to the Board.

We trust this is in order.

Yours truly,

Stewart McKelvey

A handwritten signature in black ink, appearing to read "Paul L. Coxworthy". The signature is fluid and cursive, with the first name "Paul" being more prominent.

Paul L. Coxworthy

PLC/kmcd

- c. Mr. Geoffrey P. Young, Senior Legal Counsel, Newfoundland and Labrador Hydro
- Mr. Thomas J. Johnson, Consumer Advocate
- Mr. Gerard Hayes, Newfoundland Power
- Mr. Dean A. Porter, Poole Althouse
- Ms. Leanne M. O'Leary, Vale Newfoundland and Labrador Limited