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October 24, 2011

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL
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ATTENTION: Ms. Cheryl Blundon
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: Newfoundland and Labrador Hydro – 2012 Capital Budget Application - Phase III

This is further to the letter of Mr. Paul Coxworthy, counsel for the Industrial Customers, of October 18, 2011 and to the letter from the Board of October 19, 2011. The Board's letter informed the parties that Hydro was reviewing the Phase III schedule and may be requesting changes.

Over the last few days Hydro has discussed the Phase III schedule with counsel for each of the Intervenors (Mr. Coxworthy; Mr. Johnson, the Consumer Advocate; and Mr. Hayes for Newfoundland Power). In those conversations, we indicated that while the project being considered under Phase III (Upgrade Transmission Line Corridor – Bay d'Espoir to Western Avalon (B-27) is very large, with a total budget of \$209,376,000 over a four-year period, the scope of work for 2012 is relatively modest (\$2,631,000) and need not start in the first quarter in order to maintain the overall project schedule. This means that a Board Order for this project is not needed prior to the end of 2011 nor early in 2012.

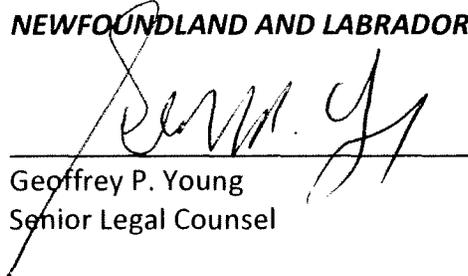
Therefore, we are proposing that the schedule for the Phase III portion of Hydro's 2012 Capital Budget be relaxed so as to allow the Applicant, the Intervenors and the Board a better opportunity to carry out the regulatory processes and investigations this project requires and deserves, avoiding the much shorter deadlines that an earlier Board Order requirement would dictate. In doing so, we are also mindful of the challenging regulatory calendars the Board and the parties share over the coming months and we do not wish to unduly burden any of those future periods.

We propose that Hydro's responses to the RFI's for Phase III be answered by January 13, 2012. This will allow for a more thorough opportunity to respond to the RFI's. We understand that the Board and the parties will require an ample opportunity to review those RFI responses, to discuss matters arising with external consultants, to attend a technical conference if one is held, to file Intervenor's evidence, and to prepare for a hearing if one is to be held. In the present schedule, all of this, from the filing of RFI's to the conclusion of the filing and hearing process, was set to occur within six weeks. We believe that more time than that is appropriate and that amending the schedule so that this can occur in a more orderly fashion is in everyone's best interest. While we have not yet discussed a detailed schedule with the parties and so are not proposing one here, we believe that a schedule that postpones the response to Hydro's RFI's to mid January and moves the final elements of the process, that is, written submissions, into early March would be reasonable and more productive and would allow for, overall, a more manageable regulatory schedule.

We would be grateful for an opportunity to discuss this further with the Board and the other parties.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Geoffrey P. Young
Senior Legal Counsel

GPY/jc

cc: Gerard Hayes – Newfoundland Power (2)
Paul Coxworthy – Stewart McKelvey Stirling Scales

Thomas Johnson – Consumer Advocate (2)
Dean Porter – Poole Althouse