



NEWFOUNDLAND AND LABRADOR HYDRO

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FAXED

September 8, 1998

Ms. Cheryl Blundon
Director, Administration and Clerk of the Board
Public Utilities Board
120 Torbay Road
P.O. Box 21040
St. John's, Newfoundland
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Dear Ms. Blundon:

This is further to my letter to you of August 28, 1998 setting out Newfoundland and Labrador Hydro's ("Hydro") position with respect to the appropriateness of reviewing the rate structure charged Newfoundland Power and the appropriateness of marginal cost based rates for Newfoundland at the Newfoundland Power hearing currently scheduled for the Fall of 1998.

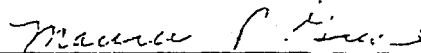
Since my letter was forwarded to you, we have had the opportunity to review a press release issued by the Government of Newfoundland on August 31, 1998 (a copy is attached). In that press release Government announced its decision to complete a thorough review of the Province's energy policy, including pricing. The Government stated that the review would cover:

1. Existing pricing methodologies and practices;
2. Current pricing structures, both on the Island and Labrador;
3. Future prices and competitiveness; and
4. Average vs. marginal cost pricing.

The Government stated that it is in the process of commissioning a comprehensive review with external consultants being engaged where special expertise is required and that it expects to have a report for its consideration by the end of the year.

In light of Government's announced energy policy review, which will address a number of substantial energy policy issues, including the two the Board have identified for consideration at Newfoundland Power's fall 1998 hearing (demand/energy rate structure for Newfoundland Power and marginal, cost based rates), it is our view that it would not be appropriate for these issues to be addressed in advance of the full energy policy review which will be undertaken by Government commencing this fall. Therefore, in addition to the reasons set out in our letter of August 28, 1998, we believe that it is appropriate to defer consideration of these two issues pending completion by Government of its energy policy review and its communication of any policy changes following such review.

Yours truly,



Maureen P. Greene, Q.C.
Vice-President Human Resources, General
Counsel & Corporate Secretary

c.c. P. Alteen
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encl.