

June 11, 2018

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

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

Dear Ms. Blundon:

Re: An Application by Newfoundland and Labrador Hydro pursuant to Subsection 41(3) of the Act for approval of a capital expenditure to supplement the Allowance for Unforeseen Items for the construction and purchase of certain improvements and additions to its property.

Following is Newfoundland and Labrador Hydro's (Hydro) reply with regard to the above noted Application.

1.0 Application Background

On May 28, 2018, Hydro filed an Application with the Board of Commissioners of Public Utilities (the Board) to restore the Allowance for Unforeseen Items Account to \$1,000,000. As a result of an unforeseen capital project for the emergency refurbishment of Bay d'Espoir Penstock 3, Hydro's existing Allowance for Unforeseen Items Account has been fully depleted.

2.0 Procedure

On May 29, 2018, the Board set a schedule with respect to this Application. Comments from the Parties were due by June 7, 2018.

3.0 Hydro's Response

Correspondence was received by both Newfoundland Power and the Industrial Customers on June 7, 2018. Hydro notes that the Parties did not have any comments in relation to this Application.

Hydro submits its use of the Allowance for Unforeseen Items account has been consistent with the policy as set out in the Capital Budget Guidelines and that it is appropriate to maintain a balance in the Allowance for Unforeseen Items account in the amount of \$1,000,000 to enable Hydro to address any unforeseen events that may arise in the remainder of the year. Hydro respectfully requests that the Board approve Hydro's application, as submitted.

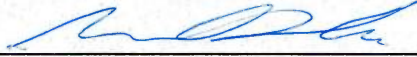
Ms. C. Blundon
Public Utilities Board

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Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Michael S. Ladha
Legal Counsel & Assistance Corporate Secretary
MSL/skc

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey
ecc: Dean Porter – Poole Althouse
Larry Bartlett – Teck Resources Ltd.

Dennis Browne, Q.C. – Browne Fitzgerald Morgan & Avis
Sheryl Nisenbaum – Praxair Canada Inc.
Denis J. Fleming – Cox & Palmer