

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

Attention: Ms. Doreen Dray

November 23, 2009

Grant Thornton LLP 187 Kenmount Road St. John's, NL A1B 3P9 T (709) 722-5960 F (709) 722-7892 www.GrantThornton.ca

Dear Ms. Dray,

Re: Newfoundland and Labrador Hydro 2008 Average Rate Base

We have completed our review of Newfoundland and Labrador Hydro's ("the Company's") 2010 Capital Budget Application (Section J) as it pertains to the calculation of the 2008 average rate base.

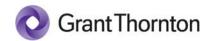
The results of our review are noted below:

2008 Average Rate Base Calculation

The average rate base for 2007 and 2008 as calculated by the Company and provided in Section J, Page J-1 of its 2010 Capital Budget Application is \$1,483,524,000 and \$1,489,786,000, respectively.

Our procedures with respect to verifying the calculation of the 2008 average rate base were directed towards the verification of the data incorporated in the calculations and the methodology used by the Company. Specifically, the procedures which we performed included the following:

- agreed all carry-forward data to supporting documentation including audited financial statements and internal accounting records and reports, where applicable;
- agreed component data (capital expenditures, depreciation, etc.) to supporting documentation;
- checked the clerical accuracy of the continuity of the rate base for 2008; and
- reviewed the methodology used in the calculation of the average rate base with reference to the Public Utilities Act, the Hydro Corporation Act and Board Orders.



 reviewed the revisions to the 2005, 2006 and 2007 average rate bases which were fixed and determined in P.U.42 (2009) to ensure the changes were incorporated in the 2008 average rate base.

Based upon the results of the above procedures we did not note any discrepancies in the calculation of the 2008 average rate base, and therefore conclude that the average rate base of \$1,489,786,000 included in Section J, Page J-1 of the Company's Application is accurate and in accordance with Board Orders and established regulatory practice.

I trust this is the information you requested. If you have any questions, please contact me.

Yours sincerely,

Steve Power, CA

Grant Thornton LLP

Partner

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