

HAND DELIVERED

October 6, 2006

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

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

Ladies & Gentlemen:

Re: Application of Newfoundland & Labrador Hydro for approval of the recovery of costs of No. 6 fuel not exceeding 1% sulphur

Newfoundland Power submits that the application of Newfoundland & Labrador Hydro ("Hydro") to recover the cost of burning fuel with sulphur content not exceeding 1 per cent at the Holyrood Thermal Generating Station ("HTGS") should be approved.

Hydro is entitled to recovery through the Rate Stabilization Plan (RSP) of its fuel costs at the HTGS that are shown to be reasonably necessary for Hydro to meet its legal obligation to provide least cost electrical service. In determining what costs are reasonably necessary, the Board is required by Section 16 of the *Public Utilities Act* to consider Hydro's obligations to comply with the law, including environmental regulatory requirements.

The revised Certificate of Approval issued pursuant to the *Environmental Protection Act* clearly requires that fuel burned at the HTGS not exceed sulphur content of one per cent. It is therefore appropriate that Hydro be permitted to recover through the RSP its reasonable costs associated with the burning of No. 6 fuel at HTGS with sulphur content not exceeding one per cent.



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Yours very truly,

Gerard M. Hayes
Senior Counsel

Enclosure

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Newfoundland & Labrador Hydro

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Stewart McKelvey



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