

December 7, 2011

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

ATTENTION: Ms. Maureen P. Greene, Q.C.
Legal Counsel

Dear Ms. Greene:

Re: Hydro's 2012 Capital Budget – Phase III Schedule

This is further to your letter of earlier today. We wish to clarify our position on this matter, as per your request.

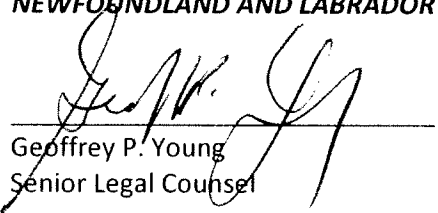
It is our understanding that the Muskrat Falls Review is of high priority to government. As the Board is aware, many of the issues raised and the information required in that proceeding must come from Hydro's engineering staff. We expect that this activity will continue at an extremely high level until that Review is complete. We note, as an example, that 27 additional RFIs were filed this morning by the Consumer Advocate and that more can be expected.

Meanwhile, when compared to the Muskrat Falls Review, Phase III of Hydro's 2012 Capital Budget is of a lower priority in that an Order from the Board is not required for that aspect of Hydro's application until much later in 2012. We therefore request that the Board consider all aspects of Phase III of Hydro's application to be in abeyance until further notice from Hydro, though, as indicated in earlier correspondence, we anticipate that processes with respect to Phase III of the application can recommence with responses being made to existing RFIs in March or April. Hydro is aware that deferring these processes could result in a delay in an Order being issued and is making this decision to defer processes as to Phase III advisedly.

We trust this is satisfactory.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Geoffrey P. Young
Senior Legal Counsel

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

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