

August 18, 2014

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

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

Dear Ms. Blundon:

As with all its major projects, Newfoundland and Labrador Hydro (Hydro) followed a robust screening and thorough procurement process for the purchase of the combustion turbine to be installed at the Holyrood plant for the island electricity system.

Hydro followed the Public Tender Act, ensuring technical and commercial compliance with contract terms and conditions. We also conducted reference checks on the successful bidder, and completed a comprehensive due diligence review, including an independent review of audited financial statements which met our expectations.

Following the public tender process, ProEnergy Services was the least-cost, compliant bidder meeting all technical and commercial conditions of the contract to supply, deliver and install the combustion turbine at the Holyrood plant.

Upon receipt of correspondence from Mr. Danny Dumaresque dated August 12, 2014, Hydro conducted an internal review, including meeting with senior officials from ProEnergy Services. ProEnergy executive management confirmed that they have met requests for information and are compliant with all laws within the United States and the countries in which they conduct business.

Hydro has insurance and bonding for the full value of the contract in place. Prior to finalizing the agreement, the combustion turbine equipment was inspected by an independent engineer. Hydro engineers also travelled to the United States to view the equipment and to visit ProEnergy's facilities.

ProEnergy Services is an international company with expertise in energy generation facilities. Our team will be working closely with ProEnergy during the installation and Hydro executive will be receiving regular project updates.

Hydro is confident in ProEnergy Service's ability to continue to meet the terms and conditions of the contract; and that the equipment will reliably meet the electricity needs of the province. All major components of the combustion turbine have now been received by Hydro and the generating unit will be ready for service for the upcoming winter season.

Should you have any questions, please do not hesitate to contact the undersigned.

Yours truly,



Wayne D. Chamberlain  
General Counsel and Corporate  
Secretary

WDC/ab

CC: J. Glynn, Legal Counsel