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October 15, 2014

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

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

Dear Ms. Blundon:

**Re: Newfoundland and Labrador Hydro - the Board's Investigation and Hearing into
Supply Issues and Power Outages on the Island Interconnected System – Sunnyside Equipment
Replacement Project and Western Avalon Terminal Station T5 Tap Changer Replacement**

Further to the Board's letter of today, we wish to provide the following update as to the Sunnyside T1 Transformer testing.

Hydro contracted ABB to manufacture a new transformer, to current design specifications, as a replacement for the Sunnyside Terminal Station T1 transformer. During a second round of factory acceptance testing on Saturday October 11th at ABB's south Boston transformer manufacturing facility, the new transformer did not pass one of the acceptance tests, namely the partial discharge test. This was the same test the new transformer did not pass in the first round of factory acceptance testing and for which ABB had reworked the transformer. ABB is currently investigating the cause of this latest issue to establish next steps. As a result, delivery of the new transformer may be delayed and Hydro is now moving to implement its contingency plan.

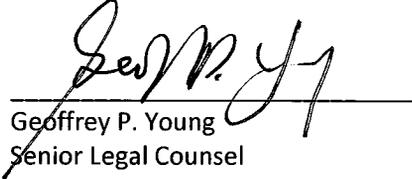
Hydro's contingency plan is to relocate transformer T8, a transformer of the same capacity as Sunnyside T1, from the Holyrood Terminal Station to the Sunnyside Terminal Station, thereby fully enabling the Sunnyside Station to operate normally. This move is scheduled to be completed before December 1st. This will result in the system being able to withstand the loss of the largest transformer in either Sunnyside or Holyrood, and still serve load, as per system planning criteria.

Responses to the two enumerated questions in the Board's letter of today will be provided in due course.

If you have any questions or comments, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Geoffrey P. Young
Senior Legal Counsel

GPY/jc

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey Stirling Scales
Sheryl Nisenbaum – Praxair Canada Inc.
ecc: Roberta Frampton Benefiel – Grand Riverkeeper Labrador

Thomas Johnson – Consumer Advocate
Thomas O’ Reilly – Cox & Palmer
Danny Dumaresque