

December 16, 2015

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

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

Dear Ms. Blundon:

**Re: The Board's Investigation and Hearing into Supply Issues and Power Outages
on the Island Interconnected System ("Public Review")**

In reviewing materials to respond to Undertaking 85 in the Prudence Review, Hydro has discovered certain information which is necessary to bring to the attention of the Board and the parties in the Prudence Review. In response to Undertaking 85(a) Hydro noted as follows:

"In 2010, an asset maintenance review was conducted for Holyrood. Attached as Undertaking 85 Attachment 1 is a draft asset maintenance strategy manual, which incorporated Hydro's review of the asset management practices across North America. Hydro's asset management programs and practices for Holyrood were built on this draft manual and are continually being improved, through the Office of Asset Management."

Page 94 of 95 of Attachment 1 to Undertaking 85 refers to an electronic Workbook that documents the analysis of approximately 900 tactics, "many of which are existing tactics, but includes others that were identified through manufacturers' maintenance literature, other utilities' maintenance plans, Round Table reviews, etc."

Hydro personnel have reviewed this Workbook and item 773 deals with the lube oil system and in particular the pumping equipment. Under the Comments block for item 773 the following is noted as having arisen from the 2009-2010 Maintenance Review:

“Recommend also that the back-up and DC emergency lube & seal oil pumps be checked when the unit is off-line to ensure that they perform as required. Correct Pressure & Flow cannot be determined during the on-line operational testing.”

Accordingly, the Hydro personnel directly involved in the 2009-2010 Holyrood maintenance review did recommend that the DC emergency lube oil pump be checked when the unit was off-line to ensure that it performed as required, however, the maintenance actions implemented did not fully address the recommendation provided. The relevance and status of this line item recommendation was not fully understood by management of Hydro involved in the hearing until the preparation of Undertaking 85 was being carried out.

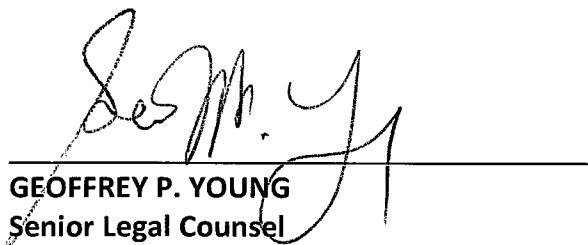
In light of this information, Hydro takes full responsibility for any cost consequences attributable to the failure of the DC lube oil pumping system in January 2013. This will be reiterated in Hydro’s Closing Submissions on the Prudence Review.

Hydro sincerely apologizes for the late disclosure of this information. Hydro has also now informed La Capra Associates of this new information and Hydro’s position in light of the same.

Hydro also apologizes for any inconvenience caused to the Board, its consultants and other parties to the Prudence Review.

Yours truly,

NEWFOUNDLAND & LABRADOR HYDRO



GEOFFREY P. YOUNG
Senior Legal Counsel