

September 6, 2018

Via Email & Courier

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 of Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: 2017 General Rate Application (GRA) – Information Filing – Labrador Settlement Agreement

Enclosed with this letter please find fourteen (14) copies of the Labrador Settlement Agreement which was signed electronically.

This Information is being filed with the Board to provide further detail to the Parties on the executed agreement and the matters agreed upon.

If you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Shirley Walsh
Senior Legal Counsel - Regulatory
SW/kd

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey
Denis J. Fleming – Cox & Palmer
ecc: Van Alexopoulos – Iron Ore Company
Senwung Luk – Olthuis Kleer Townshend LLP

Dennis Browne, Q.C. – Brown Fitzgerald Morgan & Avis
Dean Porter – Poole Althouse

Benoît Pepin – Rio Tinto

IN THE MATTER OF the *Electrical Power Control Act, 1994*, SNL 1994, Chapter E-5.1 (the "*EPCA*") and the *Public Utilities Act*, RSNL 1990, Chapter P-47 (the "*Act*"); and

IN THE MATTER OF a General Rate Application filed by Newfoundland and Labrador Hydro to establish customer electricity rates for 2018 and 2019.

LABRADOR SETTLEMENT AGREEMENT

WHEREAS Newfoundland and Labrador Hydro ("Hydro" or the "Applicant") has applied to the Board of Commissioners of Public Utilities (the "Board") to establish customer electricity rates for 2018 and 2019 (the "Application"); and

WHEREAS the Consumer Advocate; Newfoundland Power Inc. ("Newfoundland Power"); Corner Brook Pulp and Paper Limited, NARL Refining LP and Vale Newfoundland and Labrador Limited (the "Industrial Customer Group"); the customers on the Labrador Interconnected System ("Labrador Interconnected Group") and the Iron Ore Company of Canada ("IOC") have been granted Registered Intervenor status; and

WHEREAS the Applicant and the Labrador Interconnected Group and IOC (the "Parties"), with participation by Board Hearing Counsel, have engaged in negotiations regarding issues specific to the Labrador Interconnected System.

TERMS OF AGREEMENT

1. The Parties jointly advise the Board that certain issues arising from the Application have been settled by negotiations between them in accordance with this Labrador Settlement Agreement (the "Labrador Settled Issues").
2. The Parties recommend that the Board implement the agreement of the Parties regarding the Labrador Settled Issues in its Order.
3. The Parties consent to the admission in the record of this Application of all pre-filed testimony, exhibits and responses to requests for information pertaining to the Labrador Settled Issues. At the hearing of the Application, the Parties do not intend to present evidence, examine, cross-examine or present argument in relation to the Labrador Settled Issues beyond that which is reasonably necessary to assist the Board's understanding, and to explain or clarify the Parties' agreement concerning the Labrador Settled Issues, except insofar as may be necessary to address issues that have not been settled by this Labrador Settlement Agreement.

4. This Labrador Settlement Agreement represents a reasoned consensus on the Labrador Settled Issues and the agreements on individual issues are not intended to be severable.
5. This Labrador Settlement Agreement does not dispose of all issues arising from the Application. It does not limit the rights of the Parties to present evidence, examine, cross-examine and present argument at the hearing of the Application on issues that have not been settled by this Agreement.
6. This Labrador Settlement Agreement is without prejudice to the positions the Parties may take in proceedings other than the Application. It sets no precedent for any issue addressed in this Labrador Settlement Agreement in any future proceeding or forum. For greater certainty, all cost of service and rate design matters addressed in this Labrador Settlement Agreement will be open for review in the Cost of Service and Rate Design Methodology Review to be filed by the Applicant pursuant to paragraph 22 of the Settlement Agreement dated April 11, 2018 and filed in this proceeding.

MATTERS AGREED UPON

Muskrat Falls to Happy Valley Interconnection Capital Project

7. The Parties agree to the following in relation to the Muskrat Falls to Happy Valley Interconnection Capital Project (the "MF-HV Project"):
 - a. Exclusion of the MF-HV Project from Hydro's rate base in the 2018 Test Year and in the calculation of depreciation expense for the 2018 Test Year;
 - b. Inclusion of the MF-HV Project in Hydro's closing rate base for the 2019 Test Year, if approved by the Board for construction to be completed in 2019 prior to Hydro's 2017 GRA Compliance filing;
 - c. If, at the time of Hydro's 2017 GRA Compliance filing, the MF-HV Project is not approved by the Board for construction to be completed in 2019, the Parties agree that the MF-HV Project will be excluded from the 2019 Test Year rate base; and
 - d. Exclusion of depreciation associated with the MF-HV Project in the calculation of 2019 Test Year revenue Requirement.

Allocation and Recovery of 2015, 2016 and 2017 Deferred Supply Costs

8. The Parties agree that, consistent with the allocation methodology in the Rate Stabilization Plan, the net portion of the 2015, 2016 and 2017 deferred supply costs from the Isolated Systems Deferral Account, the Energy Supply Cost Variance Deferral Account, and the Holyrood Conversion Rate Deferral Account allocated to Labrador as of December 31, 2017 (approximately \$60,000) will be written off to Hydro's 2018 net income.

Amortization of 2018 Revenue Deficiency

9. The Parties agree to amortize 2018 revenue deficiency over 24 months, beginning with the effective date of the 2017 GRA final rates approved by the Board

2019 Test Year Load Forecast

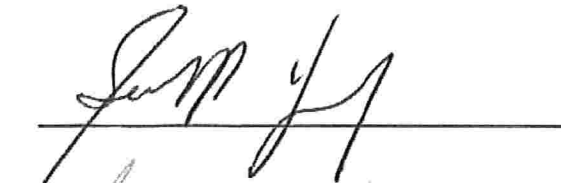
10. The Parties agree that IOC is eligible for a billing credit from Hydro if monthly Labrador Industrial firm load requirements exceed the approved 2019 Test Year forecast by more than 10 MW as a result of Tacora's operation of Wabush Mines (hereinafter referred to as "Test Year Excess Power on Order"). If Test Year Excess Power on Order occurs in 2019, the billing credit to IOC would be equal to the monthly firm demand charges resulting from Excess Power on Order. The billing credit would not apply to billings associated with interruptible load. Any billing credit will be applied on a quarterly basis.
11. The Parties agree that the 2017 GRA forecast for the Labrador Interconnected System will be updated in the 2017 GRA compliance application reflecting Hydro's most recent projections: (i) of data centre loads for 2018 and 2019 including both the revenue and supply costs impacts and (ii) of 2019 Power on Order requirements for Labrador Industrial customers.

General

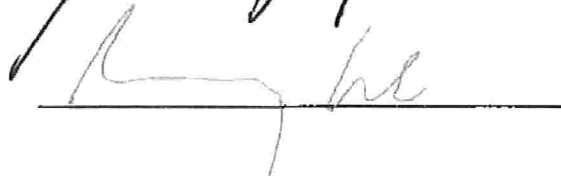
12. The Parties agree that issues arising from the Application related to the Labrador Interconnected System have been settled as set out in the Settlement Agreement dated April 11, 2018, the Supplemental Settlement Agreement dated July 16, 2018, and this Labrador Settlement Agreement. However, nothing in this agreement affects
 - a. the right of any party to appear before the Board and cross-examine witnesses during the compliance phase of the Application, should witnesses be called then;
 - b. the right of any party to make submissions to the Board for costs in this Application.

Agreed to as of the 24th day of August, 2018.

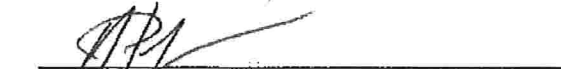
For Newfoundland and Labrador Hydro:



For the Labrador Interconnected Group:



For Iron Ore Corporation of Canada:



Benoît Pépin, solicitor

For Board Hearing Counsel:

