

November 26, 2015

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: 2016 Interim Industrial Rates Application

This letter provides additional information on the forecast rate impact on Teck Resources ("Teck") on September 1, 2016 (i.e., the conclusion of the phase-in period for Island Industrial Customer (IIC) rates) if the Board approves Hydro's 2016 Interim Industrial Rates Application. This information is provided in response to a telephone discussion on November 25, 2015 between Ms. Doreen Dray, Mr. Mike McNiven and myself.

Teck ceased its mining and milling activities on June 30, 2015 and the site is now going through the decommissioning process. Accordingly, Teck has reduced its forecast firm demand requirement from 9500 kW in 2015 to 500 kW for 2016. The annual billings to Teck for 2014 were approximately \$3.4 million and the forecast annual billings to Teck for 2016 under existing rates are approximately \$300,000.

The forecast September 1, 2016 base rate impact (i.e. demand and energy charges) to Teck before the impact of specifically assigned charges is \$60,000. This includes the phase-out of the proposed RSP Surplus Adjustments combined with the elimination of the Teck RSP Adjustment.

The forecast September 1, 2016 rate impact to Teck including specifically assigned charges is largely dependent on the Board's decision on the appropriate methodology for allocation of operating and maintenance costs in determining specifically assigned charges. Teck currently pays \$186,169 in specifically assigned charges. Hydro's Amended Application proposed an annual specifically assigned charge of \$208,600. The methodology proposed by Vale and now supported by Hydro would reduce the specifically assigned charge to \$87,353. Depending on the Board's decision on the specifically assigned charge methodology, the resulting annual billings for Teck could be either a decrease of approximately \$40,000 (i.e., 14%) or an increase of approximately \$80,000 (i.e., 27%).

Attachment 1 to this letter provides the supporting calculations.

If you require any additional information, please contact me.

Yours truly,

NEWFOUNDLAND and LABRADOR HYDRO



Kevin J. Fagan
Manager, Rates and Regulation

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey Stirling Scales
Thomas J. O'Reilly, Q.C. – Cox & Palmer
Senwung Luk – Olthuis, Kleer, Townshend LLP

Thomas Johnson – Consumer Advocate
Yvonne Jones, MP Labrador
Ed Hearn, Q.C. – Miller & Hearn
Genevieve M. Dawson – Benson Buffett

Newfoundland and Labrador Hydro
Forecast Rate Increase to Teck Resources

Teck - Specifically Assigned Charges under Alternate Method

	2016 Billing Units	Unit	July 1 2015 Existing	\$	Jan 1 2016 Proposed	\$	Percent Increase vs 2015 Existing	Sept 1 2016 Proposed	\$	Percent Increase vs Jan 1 2016 Proposed
Demand (kWs)	500	\$/kW/mo	7.35	3,675	8.38	4,190		8.38	4,190	
Energy (MWhs)	3,960	mills/kWh	40.44	160,142	40.69	161,132		40.69	161,132	
Spec. Assigned	-	\$	186,169	186,169	186,169	186,169		87,353	87,353	
				349,986		351,491			252,675	
RSP: Current Plan	3,960	mills/kWh	(11.41)	(45,184)	(11.41)	(45,184)				-
RSP: Current Plan	-	mills/kWh		-		-				-
RSP: Fuel Rider	-	mills/kWh		-		-				-
RSP: IC Surplus Credit (Demand)	500	\$/kW	(0.49)	(245)	(1.52)	(760)				
RSP: IC Surplus Credit (Energy)	3,960	mills/kWh	(2.69)	(10,652)	(2.94)	(11,642)				
Total RSP				(56,081)		(57,586)				-
Firm plus RSP				293,905		293,905	0.0%		252,675	-14.0%

Teck - Specifically Assigned Charges based on Amended Application

	2016 Billing Units	Unit	July 1 2015 Existing	\$	Jan 1 2016 Proposed	\$	Percent Increase vs 2015 Existing	Sept 1 2016 Proposed	\$	Percent Increase vs Jan 1 2016 Proposed
Demand (kWs)	500	\$/kW/mo	7.35	3,675	8.38	4,190		8.38	4,190	
Energy (MWhs)	3,960	mills/kWh	40.44	160,142	40.69	161,132		40.69	161,132	
Spec. Assigned	-	\$	186,169	186,169	186,169	186,169		208,600	208,600	
				349,986		351,491			373,922	
RSP: Current Plan	3,960	mills/kWh	(11.41)	(45,184)	(11.41)	(45,184)				-
RSP: Current Plan	-	mills/kWh		-		-				-
RSP: Fuel Rider	-	mills/kWh		-		-				-
RSP: IC Surplus Credit (Demand)	500	\$/kW	(0.49)	(245)	(1.52)	(760)				
RSP: IC Surplus Credit (Energy)	3,960	mills/kWh	(2.69)	(10,652)	(2.94)	(11,642)				
Total RSP				(56,081)		(57,586)				-
Firm plus RSP				293,905		293,905	0.0%		373,922	27.2%