

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

**Teck - Specifically Assigned Charges based on Amended Application**

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