

November 20, 2015

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Via Electronic Mail and Courier

Newfoundland and Labrador Board
of Commissioners of Public Utilities
120 Torbay Road
P.O. Box 21040
St. John's, NL A1A 5B2

**Attention: Ms. G. Cheryl Blundon, Director of Corporate Services
and Board Secretary**

Dear Ms. Blundon:

**Re: Newfoundland and Labrador Hydro ("Hydro") 2016 Interim Industrial Rates
Application**

At this time we write on behalf of the Island Industrial Customers Group or IIC Group (Corner Brook Pulp and Paper Limited, North Atlantic Refining Limited and Teck Resources Limited), in response the above noted Application.

The Island Industrial Customers Group (the "IIC Group") have considered Hydro's proposed January 1, 2016 interim rate increase, to be offset by the IIC rate phase-in fund (the IIC RSP Surplus, as it is referred to in Hydro's Application), in the light of the direction provided by the Orders-in-Council OC2013-089 and OC2013-090 (as amended by OC2013-207 and OC2013-208).

Paragraph 10 of Hydro's Application expressly states that the purpose of the Application is to provide for completion of the IIC rate phase in, in compliance with the Orders-in-Council.

The IIC Group therefore have considered the Application in light of the OC2013-089, section 4 direction that "*over the three year Island industrial rate phase in period [September 1, 2013 to September 1, 2016], the shortfall in...Hydro's revenues when compared to revenue at the Board of Commissioners of Public Utilities-approved Island industrial customer rates, shall be funded from the Island industrial customer Rate Stabilization Plan.*"

The IIC Group accept that it is open to the Board, on this direction language, to not wait until the end of the three-year phase in period, or until final rates are established by a GRA decision and order (and the subsequent Hydro compliance filing process) to start applying the IIC RSP Surplus, on an interim rates basis, to grant interim relief to Hydro with respect to an anticipated revenue shortfall (even if the exact amount of that shortfall is not currently known). Such relief, if ordered by the Board, must be strictly understood to be interim, and as such subject to future adjustment by the Board, given that the actual rate increase needed to complete the IIC rate phase in can vary materially depending on the forecast No. 6 fuel cost (as acknowledged by Hydro in paragraph 11 of the Application) as well as given the other uncertainties as to the components of final rates until the GRA and associated processes are completed.

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If the Board sees fit to grant Hydro this interim relief, then the IIC Group support Hydro's proposal that the net effective January 1, 2016 rate increase to the Industrial Customers should be 0%, by virtue of Hydro's proposal to apply the IIC RSP Surplus to offset the interim rate increase and by Hydro's proposal to not seek any SAC changes in the interim rates. Hydro's proposals in this regard serve the objective of avoiding the inclusion of contentious elements in the interim rates.

With respect to further rate changes referred to in the Application (or in the Responses to Requests for Information filed by Hydro), the IIC Group reserve all of their rights to make further submissions, at the applicable time, as to what rates are reasonable and appropriate, based on the information and Orders arising and that will arise from the current GRA process (and from any other processes that may be applicable to Industrial Customer rates), and based on the status of various surpluses, within the RSP or otherwise arising, which may be available to offset further rate changes at that time.

We trust you find the foregoing satisfactory

Yours truly,

Stewart McKelvey



Paul L. Coxworthy

PLC/kmcd

- c. Geoffrey P. Young, Senior Legal Counsel, Newfoundland and Labrador Hydro
- Gerard Hayes, Newfoundland Power
- Thomas J. Johnson, Consumer Advocate
- Thomas O'Reilly, Q.C., Vale Newfoundland and Labrador Limited
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