

Undertaking 47

Undertake to provide any communications with Vale pertaining to OM&A costs.

Please see Undertaking 47, Attachment 1.



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August 19, 2011

Vale Newfoundland & Labrador Limited
Suite W200, Bally Rou Place, 280 Torbay Road
St. John's, NL, Canada
A1A 3W8

Attention: Mr. Darryl P. Drover, Senior Contracts Administrator

Dear Mr. Drover:

Re: Industrial Electrical Service Agreement – Long Harbour – Specific Assignment of Assets

Construction of the interconnection plant to provide electrical service to your company's Long Harbour Processing Plant (the "Facility") is underway and is being carried out under the terms of the Construction Contribution Agreement between your company and Newfoundland and Labrador Hydro (Hydro) dated May 17, 2010. As we have discussed with you, for purposes of allocating costs in accordance with the rules of cost allocation that have been approved for Hydro by the Board of Commissioners of Public Utilities (the PUB), certain determinations are required as to the plant that will be installed to serve your company's electrical service needs.

To explain this in summary fashion, the regulatory principle is that electricity customers, where practicable, should pay the costs of providing service to them, no more and no less. Consistent with that principle, the PUB has ruled that electrical plant that provides significant benefit to one customer only ought to be paid for by that customer so as to avoid cross subsidization among customers. This is referred to as "specifically assigned" plant. Where electrical plant provides service to numerous customers, allocations of costs amongst customers is required.

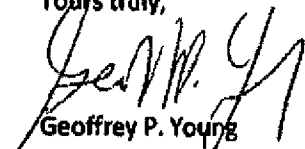
Costs associated with fixed plant comprise capital costs and the operating and maintenance costs. The Construction Contribution Agreement we have entered into with you sets out the basis for your company to pay the capital costs of the specifically assigned plant as it is incurred so that, upon commissioning of the plant, your company will have paid to Hydro the full capital cost of that plant. The operating and maintenance costs associated with specifically assigned plant are recovered from customers as a component of their monthly electrical service bill and that charge is added to the power and energy charges. Under the cost of service methodology approved by the PUB, the operating and

maintenance cost is calculated by, first, determining or allocating Hydro's operating and maintenance cost forecast for that class of assets and, second, allocating the operating costs amongst its customers based upon the original capital cost of the plant to be maintained. So, in this case, the operating and maintenance expenses for all of Hydro's Island Interconnected transmission lines are pooled together and then allocated amongst its customers in two steps: the common aspects of the transmission lines are allocated to customer classes based upon the electrical demands of each class (which is recovered by Hydro from its customers as a portion of their demand rates) and then the operating and maintenance expenses of the specifically assigned plant is allocated to each customer based upon the relative original cost of each customer's specifically assigned plant as compared to the original cost of all other plant of that type.

In the case of Vale, there is more than one customer being served at the Long harbor site: the Facility and Vale's supplier of the oxygen plant. We understand that for purposes of the power contract, the electrical plant being installed to serve the Facility, including the oxygen plant, is to be treated as attributable to Vale and that therefore, Vale intends to pay all specifically assigned costs for transmission and terminal plant that connects the Facility, including the oxygen plant, to the bulk transmission grid. This is consistent with the approved principles of specifically assigned plant, in that the electrical service provides significant benefit to one customer, Vale.

For the purposes of clarifying that this is your understanding and intent, Hydro asks that you co-sign this letter indicating your acceptance of this arrangement. Hydro will file a copy of this letter with the Public Utilities Board in support of this proposed cost recovery treatment.

Yours truly,


Geoffrey P. Young
Senior Legal Counsel

Vale Newfoundland & Labrador Limited has executed this letter on the date stated below to endorse its acceptance of the specific assignment of all transmission and terminal plant serving the Long Harbour facility.

8/19/14
Date


per
Vale Newfoundland & Labrador Limited