

December 8, 2014

Iron Ore Company of Canada
1 Retty Street
Sept Iles, QC
G4R 4L4

Attention: Mr. Barry Hillier and Mr. Maurice McClure

Dear Sirs:

Re: Transmission component of Labrador Industrial Customer rates, effective January 1, 2015

In December 2012, the Provincial Government introduced a series of legislative amendments to establish a new electricity rate policy for Industrial Customers on Labrador's Interconnected System. In accordance with the amended legislation, the Board of Commissioners of Public Utilities of Newfoundland and Labrador (the Board) has been provided the jurisdiction to regulate the transmission component of the Labrador Industrial rates beginning in 2015. On November 10, 2014, Newfoundland and Labrador Hydro (Hydro) filed an application with the Board which proposed the implementation of a regulated transmission demand rate for Labrador Industrial Customers of \$1.25 per kW, to be implemented on an interim basis effective January 1, 2015. The transmission rate will be in addition to the rate components related to generation costs which are not subject to the authority of the Board.

As we have discussed, the proposed \$1.25 per kW transmission demand charge will apply to your firm demand for 2015. This charge does not include charges for the recovery of generation costs in 2015. The rate for the recovery of generation costs is not subject to the jurisdiction and authority of the Board.

The Board will be conducting a public hearing in 2015 to evaluate the proposed transmission demand charge. If upon reviewing Hydro's proposal, the Board determines that the proposed rate should be modified, then any adjustment to the rate would become effective retroactive to January 1, 2015 and billing adjustments would be required.

As Hydro has requested the proposed rate be implemented on January 1, 2015, the Board wishes to know if you consent to the proposed interim rate change and if you plan on intervening in the public hearing process to deal with Hydro's application. A prompt reply in writing to the Board (return address below) and to Hydro (address above) would be appreciated.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

A handwritten signature in black ink, appearing to read 'K. Fagan', is written over a horizontal line.

Kevin J. Fagan
Manager, Rates and Regulation

KJF/jc

The Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, Newfoundland & Labrador
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