

**SUPPLEMENTAL SETTLEMENT
AGREEMENT SEPTEMBER 28, 2015**

IN THE MATTER OF the *Electrical Power Control Act, 1994*, SNL 1994, Chapter E-5.1 (the "EPCA") and the *Public Utilities Act, RSNL 1990*, Chapter P-47 (the "Act"), as amended, and regulations thereunder; and

IN THE MATTER OF a general rate application filed by Newfoundland and Labrador Hydro on July 30, 2013; and

IN THE MATTER OF an amended general rate application filed by Newfoundland and Labrador Hydro on November 10, 2014.

WHEREAS Newfoundland and Labrador Hydro ("Hydro" or the "Applicant") has applied to the Board of Commissioners of Public Utilities (the "Board") to establish customer electricity rates for 2015 and to recover a 2014 revenue deficiency (the "Application"); and

WHEREAS the Consumer Advocate; Newfoundland Power Inc. ("Newfoundland Power"); Corner Brook Pulp and Paper Limited, NARL Refining Limited Partnership and Teck Resources Limited (the "Industrial Customer Group"); Vale Newfoundland and Labrador Limited ("Vale"); the Innu Nation; the Towns of Labrador City, Wabush, Happy Valley-Goose Bay, and North West River; Yvonne Jones, MP and the Nunatsiavut Government have been granted Registered Intervenor status; and

WHEREAS the Applicant, the Consumer Advocate, Newfoundland Power, the Industrial Customer Group and Vale (the "Parties"), with participation by Board hearing counsel, have engaged in negotiations regarding Island Interconnected System and other issues and

WHEREAS on August 14, 2015, the Parties settled certain issues arising from the Application and entered into an agreement reflecting their negotiated settlement on those issues (the "Settlement Agreement") and

WHEREAS following the signing of the Settlement Agreement, the Parties engaged in supplemental negotiations regarding Island Interconnected System and other issues.

Terms of Supplemental Settlement Agreement

1. The Parties jointly advise the Board that certain issues arising from the Application have been settled by negotiations between them in accordance with this Supplemental Settlement Agreement (the "Supplemental Settled Issues").
2. The Parties recommend that the Board implement the agreement of the Parties regarding the Supplemental Settled Issues in its Order.

3. The Parties consent to the admission in the record of this Application of all pre-filed testimony, exhibits and responses to requests for information pertaining to the Supplemental Settled Issues. At the hearing of the Application, the Parties do not intend to present evidence, examine, cross-examine or present argument in relation to the Supplemental Settled Issues beyond that which is reasonably necessary to assist the Board's understanding, and to explain or clarify the Parties' agreement concerning the Supplemental Settled Issues, except insofar as may be necessary to address issues that have not been settled by this Supplemental Settlement Agreement.
4. This Supplemental Settlement Agreement represents a reasoned consensus on the Supplemental Settled Issues and the agreements on individual issues are not intended to be severable.
5. This Supplemental Settlement Agreement does not dispose of all issues arising from the Application. It does not limit the rights of the Parties to present evidence, examine, cross-examine and present argument at the hearing of the Application on issues that have not been settled by this Agreement.
6. This Supplemental Settlement Agreement is without prejudice to the positions the Parties may take in proceedings other than the Application. It sets no precedent for any issue addressed in this Supplemental Settlement Agreement in any future proceeding or forum.

Matters Agreed Upon

Cost of Service

7. Subject to section 9 and section 13 of this Agreement, the Parties agree on the cost of service methodologies in Exhibit 13(2015 Test Year Cost of Service) with respect to the:
 - (a) the treatment of the curtailable load of Newfoundland Power;
 - (b) the classification of wind energy purchases as 100% energy related;
 - (c) the classification of all Holyrood fuel costs to energy;
 - (d) the use of the load forecast provided by Newfoundland Power; and
 - (e) the specific assignment of the frequency converter to Corner Brook Pulp and Paper (CBPP) Limited.
8. The Parties agree that the calculation of the capacity factor for the Holyrood Generating Plant be based on a historical 5-year period from 2010 to 2014, inclusive.
9. The Parties do not agree on the following Cost of Service issues for use in establishing customer rates as a result of the current GRA:
 - (a) the use of the forecast 2015 load for rate setting purposes;
 - (b) the methodology for determining the test year operating and maintenance costs to be recovered through specifically assigned charges to Industrial Customers; and

(c) the allocation methodology for the Rural Deficit.

Newfoundland Power Rate Design

10. (i) The Parties agree that the demand charge will equal \$4.75 per kW of billing demand.
 - (ii) The Parties agree that the end block energy rate will be determined based on the 2015 Test Year No. 6 fuel price divided by the 2015 Test Year Holyrood fuel conversion factor (both to be determined by the Board in the GRA decision).
 - (iii) The approved 2015 Test Year revenue requirement not recovered through the demand change and the end-block energy charge will be used to compute the first block energy charge.
11. The Parties agree that wholesale rate will include a curtailable load credit as proposed in the Amended Application.

CDM Recovery Mechanism

12. The Parties agree that Hydro's proposed Conservation and Demand Management ("CDM") Cost Recovery Adjustment should be approved to provide for recovery of costs charged annually to the CDM Cost Deferral Account.

Cost of Service Methodology Review

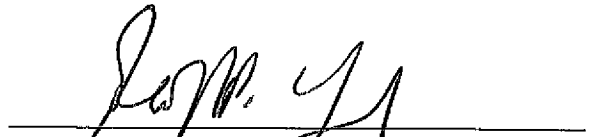
13. The Cost of Service Methodology Review to be completed in 2016 will include a review of: (i) all matters related to the functionalization, classification and allocation of transmission and generation assets and power purchases (including the determination whether assets are specifically assigned and the allocation of costs to specifically assigned assets) and (ii) the approach to CDM cost allocation and recovery.

Remaining Issues

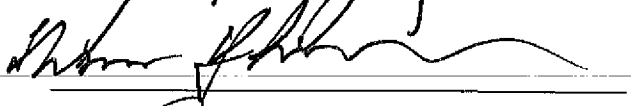
14. The Parties agree that issues not included in the Settlement Agreement dated August 14, 2015 and this Supplemental Settlement Agreement remain unresolved and will be the subject of viva voce evidence at the hearing of the Application.

Agreed to this 28th day of September, 2015.

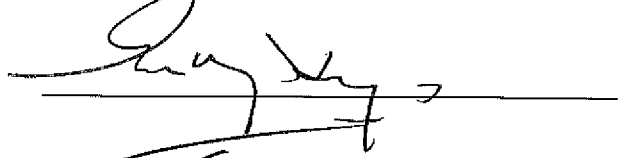
For Newfoundland and Labrador Hydro:

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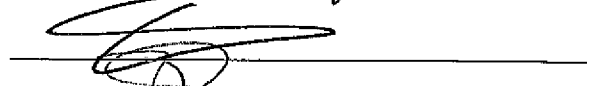
For the Consumer Advocate:

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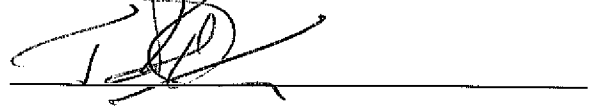
For Newfoundland Power:

A handwritten signature in cursive, appearing to be "G. M. G.", written over a horizontal line.

For Island Industrial Customers:

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For Vale:

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For the Board Hearing Counsel:

A handwritten signature in cursive, appearing to be "Maurice Greene", written over a horizontal line.