

December 10, 2014

The Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, Newfoundland & Labrador
A1A 5B2

Attention: Ms. Cheryl Blundon
Director Corporate Services & Board Secretary

Dear Ms. Blundon:

**Re: Newfoundland and Labrador Hydro - 2013 AMENDED General Rate Application -
Transmission component of Labrador Industrial Customer rates, effective January 1, 2015**

This is further to correspondence from the Board dated December 4, 2014 on the above-noted matter. In that letter the Board requested:

- that Hydro provide information as to the industrial customers and as to whether they had been advised of the Labrador Industrial transmission rate proposal;
- that Hydro provide a status update on the acquisition of the Labrador transmission assets; and
- that Hydro provide available information as to how the proposed transmission rate was determined.

Notice to Labrador Industrial Customers

On December 8, 2014 Hydro provided formal notice to its Labrador Industrial Customers (Iron Order Company of Canada and Wabush Mines) as to the rate proposal. Copies of these letters were provided to the Board on the same date. As is stated in those letters, this matter had been discussed previously with these customers on numerous occasions.

Status Update – Labrador Transmission Assets

Hydro has entered into a sublease from Churchill Falls (Labrador) Corporation Limited (CF(L)Co) for the two 230 kV transmission lines between the Churchill Falls switchyard and the Wabush Terminal Station. This is an interim arrangement until June 30, 2015 for nominal value and the parties anticipate entering into a longer term sublease before this interim arrangement expires. Hydro anticipates filing with the Board an application for approval of that longer-term sublease in advance of that time.

Hydro is negotiating with Wabush Mines and Twinco with respect to the transfer of land and assets rights to the Wabush Terminal Station. This will be an interim lease arrangement for nominal value to expire on the earlier of June 30, 2015 or the sale of these lands and assets to Hydro. This lease is not yet executed but it is expected that it will be in place in the next two weeks. As is the case with the CF(L)Co interim lease, Hydro anticipates a filing with the Board in the first half of 2015 for approval of the acquisition of permanent land interests for these purposes.

As of January 1, 2015, Hydro will be the leaseholder of all of the assets needed to provide continuous service to its customers in Labrador West and as such the present obligations of Twinco and Wabush Mines to provide these services will have terminated. In that connection, Hydro has entered into a power contract with CF(L)Co for the former Twinco block power, which contract goes into effect on January 1, 2015. In addition, Hydro has entered into arrangements with CF(L)Co to continue its role as contractor for the maintenance of this transmission and terminal plant.

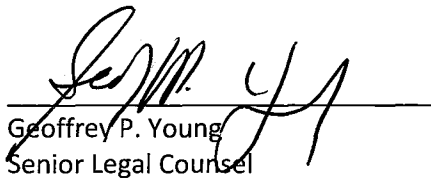
Determination of the Labrador Transmission Rate

This is described, and a calculation for the derivation of the rate is provided, in Hydro's Amended General Rate Application filing of November 10, 2014 in section 4.9.2, at pages 4.48-4.49.

We trust the foregoing is satisfactory and ask that you contact the undersigned should you have any further questions on these matters.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO


Geoffrey P. Young
Senior Legal Counsel

GPY/jc

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
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