



Mark Cutifani  
President  
North America/Europe

Telephone (705) 682-5215  
Facsimile (705) 682-6411  
E-mail: mcutifani@inco.com

September 21, 2006

Glenna Carr  
Chair, Board of Directors  
Independent Electricity System Operator  
655 Bay St. Suite 410  
PO Box 1  
Toronto, ON M5G 2K4

Dear Ms. Carr:

Please accept this letter as input regarding the Ramp Rate Multiplier issue your Board will be considering on September 22, 2006. I would appreciate if you would share this letter with other IESO Board members, as this is a serious issue that will have an immediate impact on the competitiveness of our company.

Energy comprises a significant portion of the operating budget for the Ontario Operations, trailing only labor in terms of total costs. As you know, Inco is a major consumer of electricity in the province, purchasing approximately 1.5 billion kilowatt-hours annually.

Since 2001, electricity rates in Ontario have risen 60 per cent – a higher rate of increase than any other comparable jurisdiction in North America. At Inco, despite significant conservation efforts, we spend more than \$100 million annually on purchased electricity, up from \$85 million in 2004.

We are concerned that the IESO and IESO Stakeholder Advisory Committee have taken what they admit is an arbitrary decision of changing the ramp rate multiplier from 12X to 3X. As you know, this would increase electricity prices on average by \$1.50/ megawatt-hours, which for Inco translates into an additional increase of \$2 million annually.

The mining industry, and indeed the manufacturing sector that drives Ontario's economy, cannot sustain these types of increases. While current high metal prices are contributing to strong earnings, they mask a background of ever-increasing costs that threaten our future profitability when metal prices cycle down – as they inevitably will.

Ontario figures very prominently in future growth opportunities for Inco. Our company's current business plans will see our operations in Ontario enjoying potentially the largest period of growth in more than three decades. These operating investments are critical to Inco's future – however, they will only proceed if they make economic sense. Inco's assumptions for the

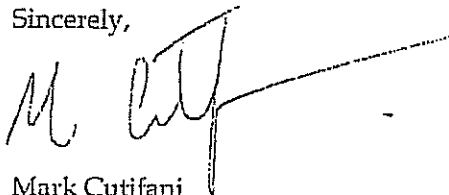
.../2

-2-

availability and cost of electricity are important considerations in evaluating the economic feasibility of these potential long-term investments.

Competitive electricity pricing is critical to sustaining our investment in Ontario. I urge the IESO Board to carry out further due diligence on the Ramp Rate Multiplier issue and ensure a full business case is completed before making a decision with such a large impact to Ontario consumers such as Inco.

Sincerely,



Mark Cutifani  
President, North America / Europe  
Inco Limited

cc: Hon. Rick Bartolucci, Minister of Northern Development & Mines  
Hon. Dwight Duncan, Minister of Energy  
Chris Hodgson, President, OMA