



Newfoundland and Labrador Hydro
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December 2, 2022

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

Attention: Cheryl Blundon
Director of Corporate Services and Board Secretary

Re: Application for Approval of an Amended and Restated Temporary Service Agreement with a Customer in Labrador West

Please find enclosed Newfoundland and Labrador Hydro's ("Hydro") Application for Approval of an Amended and Restated Temporary Service Agreement with a customer in Labrador West ("Application"), which extends the term of the Temporary Service Agreement Hydro entered into with 77849 Newfoundland and Labrador Inc. operating as BlockLAB ("BlockLAB") in 2018.¹

Hydro's Temporary Service Agreement with BlockLAB was approved by the Board of Commissioners of Public Utilities ("Board") in Order No. P.U. 27(2018).² The Temporary Service Agreement will expire on December 31, 2022. BlockLAB has applied for service under the proposed non-firm rate for the Labrador Interconnected System for which the regulatory process is ongoing but not expected to conclude until 2023. Also, on November 10, 2022 the Government of Newfoundland and Labrador issued an Order in Council that exempts Hydro from the legislative obligation to supply firm electrical service to applicants from cryptocurrency industries. Hydro is denying all applications for new firm service for cryptocurrency operations to keep electricity rates affordable on the Labrador Interconnected System through the avoidance of the capital investments that would be required to add generation to supply the material load requirements requested by these operations.

Under the current circumstances, BlockLAB will no longer receive service from Hydro in Labrador as of December 31, 2022 which is the termination date as per the Temporary Service Agreement. To allow BlockLAB to continue to receive electrical service until the non-firm rate application is completed, Hydro's Application proposes to extend the Temporary Service Agreement. The terms of the extended agreement would remain the same, with Hydro having the ability to require BlockLAB to reduce its demand requirements within 30 minutes to ensure that service to BlockLAB does not impede Hydro's ability to supply the contracted Power on Order with the Labrador Industrial customers with which Hydro already has contracts.

The revised termination clause of the Amended and Restated Temporary Power Service Agreement, which is included with this Application as Schedule 1, states that the temporary service will end at the earlier of:

¹ 77849 Newfoundland and Labrador Inc. was continued under the Canada Business Corporations Act as Blockchain Labrador Corporation.

² *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 27(2018), Board of Commissioners of Public Utilities, August 10, 2018.

- (i) The effective date of an Order from the Board with respect to Hydro's non-firm rate application;
- (ii) The Customer's written declaration to Hydro that the temporary service has ended; or
- (iii) When the Customer's load requirements would impede Hydro's ability to supply the contracted Power on Order with its Labrador industrial customers with which Hydro already has contracts.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/kd

Encl.

ecc:

Board of Commissioners of Public Utilities
Jacqui H. Glynn
PUB Official Email

Consumer Advocate
Dennis M. Browne, KC, Browne Fitzgerald Morgan Avis & Wadden
Stephen F. Fitzgerald, Browne Fitzgerald Morgan Avis & Wadden
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Bernice Bailey, Browne Fitzgerald Morgan Avis & Wadden
Bernard M. Coffey, KC

Labrador Interconnected Group
Senwung F. Luk, Olthuis Kleer Townshend LLP
Nicholas E. Kennedy, Olthuis Kleer Townshend LLP

Linde Canada Inc.
Sheryl E. Nisenbaum
Peter Strong

Newfoundland Power Inc.
Dominic J. Foley
Lindsay S.A. Hollett
Regulatory Email

Blockchain Labrador Corp.
Paul D. Dicks, KC, Benson Buffett
Megan S. Reynolds, Benson Buffet

Teck Resources Limited
Shawn Kinsella

Island Industrial Customer Group
Paul L. Coxworthy, Stewart McKelvey
Denis J. Fleming, Cox & Palmer
Dean A. Porter, Poole Althouse

Iron Ore Company of Canada
Gregory A.C. Moores, Stewart McKelvey

Application for Approval of an Amended and Restated Temporary Service Agreement with a Customer in Labrador West

December 2, 2022

An application to the Board of Commissioners of Public Utilities



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

IN THE MATTER OF an application by Newfoundland and Labrador Hydro (“*Hydro*”) pursuant to Section 71 of the *Act* for an Order approving the extension of a temporary service agreement with a customer in Labrador West.

To: The Board of Commissioners of Public Utilities (“Board”)

THE APPLICATION OF HYDRO STATES THAT:

A. Background

1. Hydro, a corporation continued and existing under the *Hydro Corporation Act, 2007*,¹ is a public utility within the meaning of the *Act*, and is subject to the provisions of the *EPCA*.
2. On June 8, 2018, Hydro filed an application with the Board for approval of a temporary service agreement with 77849 Newfoundland and Labrador Inc. operating as BlockLAB (“*BlockLAB*”)² which was approved in Board Order P.U. 27(2018).³
3. The termination clause in the approved temporary service agreement noted that the temporary service shall be deemed to end at the earlier of:
 - (i) December 31, 2022;
 - (ii) Three (3) years less a day from the date of service connection, as set out in the Schedule of Rates, Rules & Regulations as approved by the Board;
 - (iii) The Customer’s written declaration to Hydro that the temporary service has ended; or

¹ *Hydro Corporation Act, 2007*, SNL 2007 c H-17.

² 77849 Newfoundland and Labrador Inc. was continued under the *Canada Business Corporations Act* as Blockchain Labrador Corporation.

³ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 27(2018), Board of Commissioners of Public Utilities, August 10, 2018

(iv) When The Customer's load requirements would impede Hydro's ability to supply the contracted Power on Order with its Labrador Industrial customers with which Hydro already has contracts.⁴

4. The temporary service agreement will expire on December 31, 2022.
5. On November 10, 2022, the Government of Newfoundland and Labrador issued an Order in Council that exempts Hydro from the legislative obligation to supply firm electrical service to applicants from cryptocurrency industries.^{5,6}
6. Due to capacity restraints on the Labrador Interconnected System, Hydro would need to build generation at substantial cost to meet the demand requested from prospective cryptocurrency business. These costs would be borne by all customers. To ensure rates for customers on the Labrador Interconnected System remain stable, Hydro is denying all applications for new firm service for cryptocurrency operations.
7. On September 15, 2022, Hydro filed an application with the Board for approval of, among other items, a non-firm rate for the Labrador Interconnected System to enable the provision of service by utilizing the limited available non-firm capacity.⁷ BlockLAB has requested service under the proposed Labrador Interconnected System non-firm rate. The review process for that application is ongoing and will not be complete by December 31, 2022.
8. As a result of the Order in Council, BlockLAB is not eligible for any firm electrical service in Labrador. Hydro will not yet have approval of the Labrador Interconnected System non-firm rate by December 31, 2022, the termination date of the temporary service agreement between Hydro and BlockLAB. Therefore, under the current circumstances, BlockLAB will no longer receive any service from Hydro in Labrador after December 31, 2022.

B. Application

9. To allow BlockLAB to continue to receive electrical service on a temporary basis, Hydro proposes to extend the temporary service agreement for a period of time to allow for the conclusion of the regulatory process regarding the proposed Labrador Interconnected System non-firm rate.

⁴ "Application for Temporary Service Agreement," Newfoundland and Labrador Hydro, June 7, 2018, sch. 1, p. 2.

⁵ OC2022-266 (*Public Utilities Act*, RSNL 1990, c P-47 and *Electrical Power Control Act 1994*, SNL 1994, c E-5.1. <<https://www.exec-oic.gov.nl.ca/public/oic/details?order-id=20484>>

⁶ The Order in Council does not apply to BlockLAB's temporary service agreement as long as they continue to receive that service without any changes in service.

⁷ "Application for a Non-Firm Rate for Labrador," Newfoundland and Labrador Hydro, September 15, 2022.

The terms of the extended temporary service agreement would remain the same, with Hydro having the ability to require BlockLAB to reduce its demand requirements within 30 minutes to ensure that service to BlockLAB does not impede Hydro's ability to supply the contracted Power on Order with the Labrador Industrial customers.

10. The revised termination clause of the Amended and Restated Temporary Service Agreement, included as Schedule 1 to this application, states:

The temporary service shall be deemed to end at the earlier of:

- (i) The effective date of an Order from the Board with respect to Hydro's non-firm rate application;
- (ii) The Customer's written declaration to Hydro that the temporary service has ended; or
- (iii) When The Customer's load requirements would impede Hydro's ability to supply the contracted Power on Order with its Labrador industrial customers with which Hydro already has contracts.

C. Hydro's Request

11. Hydro requests that the Board make an Order approving the Amended and Restated Temporary Service Agreement, with the revised termination date allowing the extension of the temporary service to BlockLAB.

D. Communications

12. Communications with respect to this application should be forwarded to Shirley A. Walsh, Senior Legal Counsel, Regulatory for Hydro.

DATED at St. John's in the province of Newfoundland and Labrador on this 2nd day of December 2022.

NEWFOUNDLAND AND LABRADOR HYDRO



Shirley A. Walsh
 Counsel for the Applicant
 Newfoundland and Labrador Hydro,
 500 Columbus Drive, P.O. Box 12400
 St. John's, NL A1B 4K7
 Telephone: (709) 685-4973

Schedule 1

Amended and Restated Temporary Service Agreement



THIS AMENDED AND RESTATED TEMPORARY SERVICE AGREEMENT made at St. John's, in the Province of Newfoundland and Labrador on the ____ day of _____, 2022.[]

BETWEEN: **NEWFOUNDLAND AND LABRADOR HYDRO**, a corporation and agent of the Crown constituted by statute, renamed and continued by the *Hydro Corporation Act, 2007* Chapter H-17 of the 2007 Statutes of Newfoundland and Labrador and having its head office at St. John's, in the Province of Newfoundland and Labrador, (hereinafter referred to as "Hydro");

AND **BLOCKCHAIN LABRADOR CORPORATION. (CARRYING ON BUSINESS AS BLOCKLAB)** a company incorporated under the laws of Canada and having its corporate office located at 109A Drake Avenue, Labrador City, NL, A2V 2B3 (hereinafter referred to as "the Customer"),

WHEREAS Hydro has agreed to sell Power and Energy to the Customer and the Customer has agreed to purchase the same from Hydro according to the terms of the Schedule of Rates, Rules and Regulations in addition to this Amended and Restated Temporary Service Agreement; and

THEREFORE this Amended and Restated Agreement witnesses that in consideration of the mutual covenants and agreements hereinafter contained the Parties, intending to be legally bound, agree as follows:

TERMS OF SERVICE FOR TEMPORARY POWER SERVICE

- 1.01 The Customer agrees to pay Hydro a Temporary Connection Fee as determined in accordance with Regulation 9(b) of the Schedule of Rates, Rules and Regulations.
- 1.02 Hydro agrees to deliver or make available to the Customer, and the Customer agrees to purchase from Hydro at the Delivery Point(s), an amount of temporary power up to a Maximum Demand of 7,750 kilowatts, subject to clause 1.03.
- 1.03 The Customer agrees to reduce its demand requirements within 30 minutes at the request of Hydro to ensure that its temporary load requirements do not impede Hydro's ability to supply the contracted Power on Order with the Labrador industrial customers with which Hydro already has contracts.

1.04 The temporary service shall be deemed to end at the earlier of:

- i. The effective date of an order from the Board with respect to Hydro's non-firm rate application;
- ii. The Customer's written declaration to Hydro that the temporary service has ended; or
- iii. When The Customer's load requirements would impede Hydro's ability to supply the contracted Power on Order with its Labrador industrial customers with which Hydro already has contracts.

1.05 Hydro and the Customer agree to **continue or** enter into an Operating & Maintenance Agreement which will outline the details required to facilitate this **Amended and Restated** Temporary Service Agreement.

1.06 This **Amended and Restated Temporary Service** Agreement is subject to the approval of the Board of Commissioners of Public Utilities of Newfoundland and Labrador **and** is effective as of the date of that approval.

IN WITNESS WHEREOF Newfoundland and Labrador Hydro and the Customer has each executed this Agreement by causing it to be executed in accordance with its by-laws or regulations and by its duly authorized officers or agents, the day and year first above written.

BLOCKLAB LABRADOR CORPORTION

NEWFOUNDLAND AND LABRADOR

(Carrying on Business as BlockLab)

HYDRO

By: _____

By: _____

Title: _____

Witness: _____

Witness: _____

Affidavit



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

IN THE MATTER OF an application by Newfoundland and Labrador Hydro (*"Hydro"*) pursuant to Section 71 of the *Act* for an Order approving the extension of a temporary service agreement with a customer in Labrador West.

AFFIDAVIT

I, Kevin Fagan, of St. John's in the province of Newfoundland and Labrador, make oath and say as follows:

- 1) I am Vice President, Regulatory Affairs and Stakeholder Relations for Newfoundland and Labrador Hydro, the applicant named in the attached application.
- 2) I have read and understand the foregoing application.
- 3) To the best of my knowledge, information, and belief, all of the matters, facts, and things set out in this application are true.

SWORN at St. John's in the)
province of Newfoundland and)
Labrador this 2nd day of)
December 2022 before me:)



Commissioner for Oaths, Newfoundland and Labrador



Kevin Fagan

KIMBERLEY DUGGAN
A Commissioner for Oaths in and for
the Province of Newfoundland and Labrador.
My commission expires on December 31, 2022.