Q. **Reference: Volume 2 (Exhibit 4), page 105**

a) Describe any minimum-take, take-or-pay, contract-term, exit-fee, or collateral/creditworthiness provision that currently applies, or would apply, to a new Island Industrial or Labrador Industrial customer requesting a large (e.g., greater than 25 MW) new firm-power interconnection, providing Hydro's current industrial tariff terms relevant to this question.

b) If no such provisions currently exist, identify any provision, mechanism, or policy that would protect existing ratepayers from bearing stranded generation, transmission, or interconnection costs if such a large new load is added to the system and subsequently reduces its offtake, delays its in-service date, or exits entirely (as occurred with the cryptocurrency-mining load embedded in the 2019 Test Year forecast), or confirm that none exists.

c) State whether Hydro has considered, or would consider, a separate rate class or schedule for large new industrial loads incorporating cost-causation-based charges for upstream generation and transmission infrastructure attributable to that load, rather than average-cost industrial rates, and whether Board approval of such tariff terms would require a separate application or could be addressed in this GRA.

A. **a)** Newfoundland and Labrador Hydro's ("Hydro") industrial service arrangements for new Industrial customers are generally established through the applicable service agreement, applicable rate schedules, and any connection or contribution policies applicable to the customer's system location.

Industrial customers are required to declare an amount of Power on Order, and both Island Industrial and Labrador Industrial customers are billed for Power on Order in the same manner.

Hydro's industrial arrangements generally provide that Hydro's obligation is met when it makes the customer's contracted power available for delivery. As a result, the customer may be required to pay for its contracted power even if it does not take or consume that power, subject to applicable interruption, reduction, and force majeure provisions.

These arrangements are not generally structured as a separate or conventional take-or-pay charge expressly labelled as such. However, they include mechanisms that provide some protection to existing customers against stranded cost risk, including two-year termination notice provisions, liquidated damages in specified circumstances, recovery of Specifically Assigned Plant through customer contributions and/or Board of Commissioners of Public Utilities ("Board")-approved Specifically Assigned Charges, and, in Labrador, customer responsibility for network additions.

For new load connections on the Labrador Interconnected System, Hydro applies the *Network Additions Policy – Labrador Interconnected System*. That policy is intended to limit rate increases that can result from investment in new transmission assets to serve new load requests and to achieve a reasonable balance in the sharing of benefits and costs of new transmission investments between the applicant and existing customers. In general, the policy determines when an applicant must contribute to the cost of transmission extensions or upgrades required to connect new load, connect a non-utility generator, increase demand requirements, or obtain open access transmission service.

Additionally, throughout the province, when investment is necessary to serve a single customer, that customer is responsible for the costs associated with that investment. Hydro applies for approval of those contributions from the customer, pursuant to section 41(5) of the *Public Utilities Act*, or applies the approved Contribution in Aid of Construction Policy, as appropriate.[1]

b) Please refer to Hydro's response to part a).

[1] For example, Hydro's application for approval of the construction of an interconnection between Star Lake Terminal Station and Valentine Terminal Station, filed with the Board on June 29, 2021, required Marathon Gold to pay all costs associated with the project pursuant to a contribution agreement between the parties, the terms of which required payments in advance of the capital expenditures.

c) Hydro has previously considered the process for addressing the impact of large network additions on the Island Interconnected System, in particular, when designing the Labrador Network Additions Policy which was submitted for approval to the Board in 2018. However, Hydro determined that as the Island Interconnected System is significantly different than the Labrador Interconnected System, and the impact of network additions to the Island was materially different than Labrador, no such change to its network additions approach was necessary for the Island system. To date, Hydro has not identified circumstances that would prompt a change in the existing approach; if Hydro were to consider a revision to the method currently in place, Hydro believes the policy development would require further study, and any proposal development would need to include Newfoundland Power Inc. Hydro believes it is unnecessary at this time, and certainly premature, to address such a concept in this application.