

1 Q. **Reference: Network Addition Policy Summary Report, section 2.3.4, page 8 (p. 11 pdf)**

2 Citation 1:

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4 Given the level of uncertainty associated with duration of service for customers
5 who do not meet the definition of Industrial Customers in the proposed Network
6 Additions Policy, Hydro is proposing non-industrial customers not receive a
7 Demand Revenue Credit.
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9 Citation 2 (from New York State Public Service Commission, Rider A to New York Municipal
10 Power Agency tariff¹):

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12 C. CUSTOMER COST CONTRIBUTION

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14 A Customer requesting service under this Rider will be responsible for:

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16 a. reasonable costs of conducting the feasibility study; and
17 b. the entire cost of any new facilities necessary to supply the requested
18 service. The payment of these costs will be required, in cash, before new
19 facilities will be constructed. At the end of each full year of service, for
20 the first ten years, the customer will receive a refund equal to the lesser
21 of the annual non-supply related revenues from the customer, or one-
22 tenth of the cost contribution paid by the customer under this
23 paragraph.
24

25 a) Please confirm that, in referring to customers with a « level of uncertainty associated
26 with duration of service of Industrial Customers », Hydro is referring primarily to customers
27 working in the field of cryptocurrency.
28

29 b) Should other non-industrial customers present themselves that do not present a high
30 level of uncertainty with respect to duration of service, please explain why they should not
31 also benefit from a Demand Revenue Credit.

¹ NYSPSC, Case 18-E-0126, Order Approving Tariff Amendments with Modifications (March 19, 2018), page 7.

1 c) Is the Demand Revenue Credit conceptually similar to the annual refund provided for in
2 the NYMPA Rider A, approved by the New York State Public Service Commission, "in
3 accordance with the 'traditional' method of 'subtracting incremental net revenues over an
4 appropriate time period from the project cost'² "? Please explain the similarities and
5 differences.

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8 A. a) Although there is a material degree of uncertainty with the duration of service requests
9 from cryptocurrency customers as this industry is relatively new and changes in the
10 industry and in computer technology could materially change the customers' demand
11 requirements, Newfoundland and Labrador Hydro's reference was not intended to
12 specifically reference customers working in the field of cryptocurrency. Other types of
13 businesses with uncertain service lives would also create the same concern if their load
14 requirements prompted material transmission investment.

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16 b) The *Electrical Power Control Act 1994* SNL 1994, Chapter E-5.1 requires that the rates to
17 be charged on the Labrador Interconnected System should promote the development of
18 industrial activity in Labrador. In the proposed "Network Addition Policy – Labrador
19 Interconnected System," Industrial Development means all actions involved in the
20 manufacture, assembly or processing of tangible merchandise, or the extraction or
21 processing of raw materials. All customers that meet this definition would qualify for the
22 Demand Revenue Credit in computing the Upstream Capacity Charge.

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24 The provision of the Demand Revenue Credit to non-industrial customers in computing the
25 Upstream Capacity Charge increases the risk that transmission investments incurred to
26 serve these non-industrial customers will result in increased rates to existing customers
27 (i.e., if these non-industrial customers close operations). Newfoundland and Labrador
28 Hydro believes the risk of Industrial Customers having relatively short service lives is lower

² Raphals, P., "Moratoria Applied to Cryptocurrency Loads in Low-Cost Jurisdictions," (July 22, 2018), page 11.

1 than that of non-industrial customers given that most Industrial Customers require the
2 availability of the natural resources in Labrador to continue operations.

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4 c) In the proposed “Network Addition Policy – Labrador Interconnected System,” the
5 Demand Revenue Credit is provided to reduce the contribution required from an Industrial
6 Customer. The Demand Revenue Credit reflects the present value of the forecast revenue
7 to be recovered through the transmission demand charges paid by the Industrial Customer
8 Applicant.

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10 The refund in the New York Municipal Power Agency Tariff is provided after a customer has
11 paid the full cost of the network addition. However, the basis for refund appears similar to
12 the Demand Revenue Credit. There appears to be no distinction between an Industrial
13 Customer vs. a non-industrial customer in the New York Municipal Power Agency Rider A.