

June 25, 2026

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

Attention: Mike McNiven  
Board Secretary

**Re: Newfoundland and Labrador Hydro – Application for Extension to Filing Date for Non-Firm Rate Report and an Extension to Rate No. 5.1L – Non-Firm Energy – Hydro's Reply**

On June 1, 2026, Newfoundland and Labrador Hydro ("Hydro") filed an application with the Board of Commissioners of Public Utilities ("Board") requesting an extension to the deadline for the filing of a report on the Labrador Interconnected System Non-Firm Rate and the Island Industrial Customer Non-Firm Rate by one year, to June 1, 2027. Hydro further requested approval of the continuation of the Labrador Interconnected System Non-Firm Energy rate to September 1, 2027.

The Board issued a review schedule on June 12, 2026 requesting that comments from parties be filed by June 19, 2026. The Board provided the review schedule and a copy of Hydro's application to additional parties not included on the original distribution.

**Party Comments**

Hydro notes that Newfoundland Power Inc. and the Island Industrial Customer Group advised that they have no comments on the application. There were no comments forthcoming from any of the other parties copied on the application, with the exception of Blockchain Labrador Corp. ("BlockLAB").

BlockLAB argued that the existing rate was approved on a provisional basis under Board Order No. P.U. 34(2023), with Hydro bearing the onus of validating its assumptions through a comprehensive report. BlockLAB states that Hydro has not met that obligation, and therefore, there is no basis to continue the rate. BlockLAB emphasizes that it is currently the sole customer taking non-firm service, meaning the rate is not broadly applicable and has minimal revenue impact for Hydro, while exposing a single customer to a rate that does not reflect true costs or export opportunity values. Accordingly, BlockLAB submits that the Board should deny the extension and require a reversion to the prior rate structure (or alternatively apply the existing Industrial rate) pending proper evidentiary review.

In the alternative, if an extension is granted, BlockLAB submits that the additional time should be used to generate additional evidence rather than continue the status quo. Specifically, BlockLAB submits that Hydro should be directed to test and evaluate alternative pricing approaches, given evidence that the current monthly pricing method does not track actual export market conditions in New York and New England.

BlockLAB further raises concern that Hydro may have changed the underlying market data source without Board approval, which they submit could materially affect pricing. BlockLAB argues that Hydro should be required to submit an explanation and justification of any such change.

### **Hydro's Response**

With respect to the source of market data, Hydro confirms that it has consistently applied the same rate source. The confusion for BlockLAB may arise from the fact that in Hydro's response to BKL-NLH-088 of the 2022 Non-Firm Rates Application proceeding, Hydro advised that one of the main reasons Hydro chose New York Zone A was so that customers can view the forecasted prices on a public website such as CME Group. That was not to infer that that was Hydro's data source; it was just a public source of pricing to allow customers to gather their own information to determine what pricing might be. Since that time, the CME Group has stopped posting forecast prices, and Hydro has provided a different public source for customers to consult. However, as noted above, Hydro's data source has not changed throughout.

Hydro notes that the approval of Hydro's Non-Firm Rate Application in Board Order No. P.U. 34(2023) was predicated on the Board's acceptance of Hydro's evidence on a variety of factors, including that pricing based on export market value appropriately reflects the opportunity cost of surplus energy, that the approach would be revenue neutral, and that non-firm service would not require additional capacity investment or impose incremental system costs. The Board also accepted the use of both New York and New England markets, the exclusion of Québec transmission costs, monthly pricing updates, a minimum price, a proxy-based customer charge, and the absence of a demand charge as reasonable.

The Board identified certain areas where further evidence would be needed to support a long-term design, such as pricing frequency, minimum price design, the appropriate level and structure of administrative charges, and the potential use of demand charges or cost adders. The report Hydro has been directed to provide support for any modifications or adjustments to the permanent approach for the non-firm rate.

Hydro's extension request is aligned with the Board's original findings and directions. The requirement to file the report is not based on a deficiency in the original application, but on the expectation of continued evidence gathering through operational experience. Hydro's request is intended to provide the time and opportunity for Hydro to continue to gather this experience to ensure that the required report reflects sufficient operational experience and data.

As Hydro noted in its June 1, 2026 filing, the submission that the rate should not continue because it is currently utilized by a single customer is not supported by regulatory principles or the record. Rates are established on the basis of service classes and system availability, not customer uptake at a given point in time. The non-firm rate was designed and approved as a generally available service offering, and the present level of utilization does not impact its validity.

As Hydro also noted in its application, BlockLAB's proposal that the Board should direct a reversion to prior rates is neither feasible nor appropriate. There was no equivalent prior non-firm rate applicable to the Labrador Interconnected System. The former Secondary Energy Rate was limited in scope and would not apply to BlockLAB or similar customers. Reverting to prior rates would not produce a workable outcome and, as Hydro has previously explained, would result in a cessation of service to customers who are not entitled to firm power.

BlockLAB alternatively argued that if an extension is granted, the Board should direct Hydro to provide non-firm power at the existing Industrial rate. Labrador Industrial Customers are charged separate rates for the generation and transmission of electricity. The rates are further classified as energy rates and demand rates, with some components regulated and some non-regulated. BlockLAB's suggestion is not supported by the Board's prior Order, nor is it consistent with the structure of service approved for Labrador Non-Firm customers. The current non-firm rate was established because existing Industrial rates do not appropriately reflect the nature of non-firm service.

BlockLAB's proposal seeks an outcome that was not tested or justified on the evidentiary record and would bypass the analytical work the Board has directed Hydro to complete. If the Board agrees with BlockLAB's submission that the record supporting the existing non-firm rate is incomplete, the appropriate response is not to revert to an unrelated and inapplicable rate, but to maintain the existing interim framework while additional information is gathered and provided in the report Hydro proposes to file in 2027.

### Conclusion

The requested extension maintains the status quo pending the filing of a comprehensive report to address the issues outstanding, to allow for the determination of the long-term approach for the Labrador Interconnected System non-firm service. In contrast, denying the extension or altering the rate structure at this stage would introduce regulatory uncertainty and potentially disrupt service without advancing the Board's evidentiary objectives.

Hydro respectfully requests that the Board approve the application as submitted.

Should you have any questions, please contact the undersigned.

Yours truly,

### NEWFOUNDLAND AND LABRADOR HYDRO



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4

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