



Hydro Place, 500 Columbus Drive,  
P.O. Box 12400, St. John's, NL  
Canada A1B 4K7  
t. 709.737.1400 f. 709.737.1800  
www.nlh.nl.ca

October 15, 2021

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

Attention: Ms. Cheryl Blundon  
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:

**Re: Rate Stabilization Plan Fuel Price Projection – Island Industrial Customers**

### **Background**

Section C of Newfoundland and Labrador Hydro's ("Hydro") Schedule of Rates, Rules and Regulations, as approved by the Board of Commissioners of Public Utilities ("Board"), requires Hydro to provide by the tenth working day of October the amount of the forecast fuel price change and the details of an estimate of the Industrial Customer Rate Stabilization Plan ("RSP") Fuel Rider that would normally become effective January 1 of the next year.

There is currently substantial uncertainty with respect to the amount of deliveries to the Island from the Muskrat Falls Project ("Project") over the Labrador-Island Link; as a result, Hydro is unable to provide a meaningful estimate of 2022 fuel consumption at the Holyrood Thermal Generating Station with which to calculate the fuel rider.

Further, on July 29, 2021, Hydro filed a Supply Cost Accounting Application ("Application") requesting approval of deferral account proposals to address material changes in system costs that will occur once Hydro is required to begin payments under the Project Power Purchase Agreement. In the Application, Hydro proposed to discontinue the current RSP and transition to the proposed Supply Cost Variance Deferral Account. Under the proposed deferral account, there is a separate component intended to track No. 6 fuel cost variances from those reflected in the 2019 Test Year; no fuel rider would exist for 2022 under the proposed deferral account. Instead, Hydro proposed that for 2022, the normal rates update previously required under the RSP on January 1 for Island Industrial Customers will proceed and reflect the discontinuance of the fuel rider. The Application is currently under review by the Board.

Given the current uncertainty in forecast 2022 No. 6 fuel consumption, and Hydro's Application before the Board to discontinue the RSP Fuel Rider on January 1, 2022, this correspondence only provides the forecast No. 6 fuel price forecast for 2022.

### **No. 6 Fuel Price Forecast**

Attachment 1 to this letter provides the September 2021 No. 6 fuel price forecast of \$90.30 CDN/bbl<sup>1</sup> for the period January 2022 to December 2022. This fuel price projection reflects a decrease of

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<sup>1</sup> Barrel ("bbl").

\$15.60 CDN/bbl over the 2019 Test Year, No. 6 fuel price of \$105.90 CDN/bbl, and an increase of \$29.45 CDN/bbl when compared to the price currently reflected in the Island Industrial Customer RSP Fuel Rider of \$60.85 CDN/bbl.<sup>2</sup>

### Conclusion

The No. 6 fuel price forecast has been provided in accordance with the existing RSP rules as detailed in the Schedule of Rates, Rules and Regulations. However, Hydro currently has an Application before the Board which, if approved, would result in the elimination of the RSP Fuel Rider for 2022.

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

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

**Consumer Advocate**  
Dennis M. Browne, Q.C., Browne Fitzgerald Morgan & Avis  
Stephen F. Fitzgerald, Browne Fitzgerald Morgan & Avis  
Sarah G. Fitzgerald, Browne Fitzgerald Morgan & Avis  
Bernice Bailey, Browne Fitzgerald Morgan & Avis  
Bernard M. Coffey, Q.C.

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

**Praxair Canada Inc.**  
Sheryl E. Nisenbaum  
Peter Strong

**Teck Resources Limited**  
Shawn Kinsella

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<sup>2</sup> The Industrial fuel rider approved in Order No. P.U. 6(2021) reflected an alternate RSP fuel rider and modified RSP current plan to mitigate rate volatility for customers.

**Newfoundland and Labrador Hydro**  
**Rate Stabilization Plan Estimated Fuel Price Projection Rider**  
**Island Industrial Customers**

Hydro Forecast USD/bbl <sup>1</sup>	Forecast USD/bbl (a)	Premium/(Discount) <sup>2</sup> USD/bbl (b)	Landed Forecast Price USD/bbl (c) = (a) + (b)
2022 January	\$ 68.37	\$ 2.37	
February	\$ 66.84	\$ 2.37	
March	\$ 65.18	\$ 2.37	
April	\$ 64.60	\$ 2.37	
May	\$ 66.55	\$ 2.37	
June	\$ 67.40	\$ 2.37	
July	\$ 72.06	\$ 2.37	
August	\$ 69.75	\$ 2.37	
September	\$ 71.78	\$ 2.37	
October	\$ 71.88	\$ 2.37	
November	\$ 71.80	\$ 2.37	
December	\$ 70.53	\$ 2.37	
Average Holyrood Forecast Landed Price (USD/bbl)	\$ 68.89	\$ 2.37	\$ 71.26
CDN/USD Exchange Rate <sup>3</sup>			\$ 1.2671
<b>Hydro Fuel Price Projection (CDN/bbl)<sup>4</sup></b>			<b>\$ 90.30</b>

<sup>1</sup> USD pricing: New York Harbour price forecast, September 2021.

<sup>2</sup> Deliveries post September 27, 2021 will be charged a premium of \$2.37 USD/bbl.

<sup>3</sup> Average of the Bank of Canada CDN/USD Exchange Rate for the month of September 2021, rounded to 4 decimal places.

<sup>4</sup> Price per barrel is rounded to the nearest \$0.05.