

October 15, 2020

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 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 will become effective January 1 of the coming year. This update must be provided to the Board, Industrial Customers, and Newfoundland Power by the tenth working day in October.

No. 6 Fuel Price Forecast

Schedule A to this letter provides the September 2020 No. 6 fuel price forecast of \$60.85/bbl¹ (CDN) for the period January 2021 to December 2021. This fuel price projection reflects a decrease of \$45.05/bbl (CDN) over the 2019 Test Year No. 6 fuel price of \$105.90/bbl (CDN), and a decrease of \$42.80/bbl (CDN) when compared to the price currently reflected in the Island Industrial Customer RSP Fuel Rider of \$103.65/bbl. (CDN).

Forecast Fuel Consumption and Industrial Customer RSP Fuel Rider

Section C.1 of the RSP Rules provides the formula to be used in October of each year for the calculation of the fuel price projection for the following year. Within the formula the forecast fuel price variance is multiplied by variable W which is "the number of barrels of No. 6 fuel forecast to be consumed at the Holyrood Generating Station for the Test Year, or an alternate forecast number of barrels as approved by the Board."² Hydro is currently forecasting increased deliveries of off-island power purchases in 2021, as the commissioning of the Labrador-Island Link progresses, relative to the 2019 Test Year forecast. Increased deliveries of off-island power purchases cause a corresponding decrease in the forecast consumption of No. 6 fuel at the Holyrood Thermal Generating Station.

¹ Barrel ("bbl")

² "Schedule of Rates, Rules and Regulations," Newfoundland and Labrador Hydro, July 1, 2020, sec C.1, at p RSP-5.

Hydro has computed the 2021 Island Industrial Customer RSP Fuel Rider under both the 2019 Test Year and 2021 Forecast consumption scenarios.³ A summary of the result of these calculations is provided in Table 1 and detailed calculations are included in Schedule B to this correspondence.

Table 1: No. 6 Fuel Riders

Scenario	No. 6 bbl Consumption	Projected Island Industrial Customer RSP Fuel Rider	Projected Island Industrial Customer Fuel Rider Billing Impact
2019 Test Year	1,834,980	(1.250)	-17.2%
2021 Forecast	1,174,603	(0.800)	-10.7%

Forecast Industrial Customer RSP Current Plan Adjustment

Hydro has computed a forecast of the Island Industrial Customer RSP Current Plan balance as at December 31, 2020. This forecast indicates a credit balance of approximately \$1.1 million⁴ owing to customers by the end of 2020. A year-end Industrial Customer RSP Current Plan balance of this amount would result in a class billing decrease of approximately 6.6% for the Island Industrial Customer group.⁵

Conclusion

Hydro's forecast price of No. 6 fuel is currently \$60.85 CDN per barrel for the period from January 1, 2021 through December 31, 2021. Depending on the forecast number of barrels of No. 6 used in the RSP Fuel Rider calculation, the Industrial Customer billing impact is currently projected to be a decrease in the range of 17.3% if calculated based on 2021 forecast barrels to 23.8% if calculated based on 2019 Test Year barrels as shown in Schedule C.

Hydro will file an application in January 2021 for approval of the Island Industrial Customer RSP Fuel Rider and the Industrial Customer RSP Current Plan Adjustment effective January 1, 2021. Hydro will continue to monitor the forecast No. 6 fuel consumption for 2021 and include in its forthcoming application support for Hydro's proposed approach for computation of the Island Industrial Customer RSP Fuel Rider.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



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

Encl.

³ The 2021 Forecast, as of August 2020, reflects off-island purchase deliveries of 867 GWh.

⁴ Projected December 31, 2020 Industrial Customer RSP Current Plan balance reflects reduced load requirements for North Atlantic Refining Ltd. for the remainder of 2020.

⁵ The existing Island Industrial Customer RSP Current Plan Adjustment is 0.226 cents/kWh, which is forecast to decrease to 0.235 cents/kWh resulting in a bill impact variance of approximately \$2.3 million.

ecc: **Board of Commissioners of Public Utilities**
Jacqui Glynn
PUB Official Email

Newfoundland Power
Gerard M. Hayes
Regulatory Email

Consumer Advocate
Dennis M. Browne, Q.C., Browne Fitzgerald Morgan & Avis
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Praxair Canada Inc.
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Teck Resources Limited
Shawn Kinsella



Schedule A

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

	Forecast US\$/bbl. (a)	Premium/(Discount) ² US\$/bbl. (b)	Landed Forecast Price US\$/bbl. (c) = (a) + (b)
Hydro Forecast US\$/bbl. ¹			
2021 January	41.41	4.13	
February	40.40	4.13	
March	41.07	4.13	
April	41.68	4.13	
May	39.55	4.13	
June	38.95	4.13	
July	40.57	4.13	
August	41.21	4.13	
September	42.76	4.13	
October	44.67	4.13	
November	45.10	4.13	
December	45.07	4.13	
Average Holyrood Forecast Landed Price (US\$/bbl.)	41.87	4.13	46.00
CDN\$/US\$ Exchange Rate ³			1.3228
Hydro Fuel Price Projection (CDN\$/bbl.) ⁴			\$60.85

¹ US\$ pricing: New York Harbour price forecast, September 2020.
² Deliveries post October 17, 2017 will be charged a premium of \$4.13/bbl. (USD)
³ Average of the Bank of Canada CDN\$/US\$ Exchange Rate for the month of September 2020, rounded to 4 decimal places.
⁴ Price per barrel is rounded to the nearest \$0.05.



Schedule B

Newfoundland and Labrador Hydro
Forecast Rate Stabilization Plan Fuel Price Projection Rider
Industrial Customers - 2019 Test Year Barrels

Line No.	Customer Allocation	Amount	Comments
1	October 2020 Fuel Price Projection	\$ 60.85	From Page 1
2	2019 Test Year Fuel Forecast Cost	\$ 105.90	
3	Forecast Fuel Price Variance	<u>\$ (45.05)</u>	Line 1 - Line 2
4	2019 Test Year Consumption (bbbls)	1,834,980	
5	Forecast Fuel Variance	\$ (82,665,849)	Line 3 x Line 4
6	Industrial Customer Allocation Ratio	7.61%	From Line 9
7	Industrial Customer Allocation	<u>\$ (6,290,871)</u>	Line 5 x Line 6
Calculation of Customer Allocation at September 30, 2020			
8	Utility 12 Months-to-Date kWh sales	5,662,976,656	Percent of 85.56%
9	Industrial Customer 12 Months-to-Date kWh sales	503,411,628	7.61%
10	Bulk Rural 12 Months-to-Date kWh sales	452,066,091	6.83%
11	Total	<u>6,618,454,375</u>	Allocation of Total 92.12%
Calculation of Industrial Customer RSP Rate			
12	Rate Rider		
13	Industrial Allocation	\$ (6,290,871)	From Line 7
14	Industrial Customer 12 Months-to-Date kWh sales	503,411,628	From Line 9
	Fuel Projection Rider (cents per kWh)	<u><u>(1.250)</u></u>	Line 12/Line 13 x 100

Notes:

1. Rural costs are allocated on the same basis as the 2019 Test Year Rural Deficit allocation which allocates 96.1% to Newfoundland Power.

Newfoundland and Labrador Hydro
Forecast Rate Stabilization Plan Fuel Price Projection Rider
Industrial Customers - 2021 Forecast Barrels

Line No.	Customer Allocation	Amount	Comments
1	October 2020 Fuel Price Projection	\$ 60.85	From Page 1
2	2019 Test Year Fuel Forecast Cost	\$ 105.90	
3	Forecast Fuel Price Variance	<u>\$ (45.05)</u>	Line 1 - Line 2
4	2021 Forecast Consumption (bbls)	1,174,603	From Page 3
5	Forecast Fuel Variance	\$ (52,915,849)	Line 3 x Line 4
6	Industrial Customer Allocation Ratio	7.61%	From Line 9
7	Industrial Customer Allocation	<u>\$ (4,026,896)</u>	Line 5 x Line 6
Calculation of Customer Allocation at September 30, 2020			
8	Utility 12 Months-to-Date kWh sales	5,662,976,656	Percent of 85.56%
9	Industrial Customer 12 Months-to-Date kWh sales	503,411,628	7.61%
10	Bulk Rural 12 Months-to-Date kWh sales	452,066,091	6.83%
11	Total	<u>6,618,454,375</u>	Allocation of Total 92.12%
Calculation of Industrial Customer RSP Rate			
12	Rate Rider		
13	Industrial Allocation	\$ (4,026,896)	From Line 7
14	Industrial Customer 12 Months-to-Date kWh sales	503,411,628	From Line 9
	Fuel Projection Rider (cents per kWh)	<u><u>(0.800)</u></u>	Line 12/Line 13 x 100

Notes:

1. Rural costs are allocated on the same basis as the 2019 Test Year Rural Deficit allocation which allocates 96.1% to Newfoundland Power.

**Newfoundland and Labrador Hydro
 2021 Forecast No. 6 Fuel Consumption**

Particulars	2019 Test Year	2021 Forecast	Variance
Labrador-Island Link Deliveries (GWh)	341	857	516
Maritime Link Purchases (GWh)	141	10	(131)
Total (GWh)	482	867	385
2019 Test Year No. 6 Conversion Rate (kWh/bbl)			583
Forecast Change in No. 6 Consumption (bbbls)			(660,377)
2019 Test Year No. 6 Fuel Consumption (bbbls)			1,834,980
2021 Forecast Barrels			1,174,603



Schedule C

Newfoundland and Labrador Hydro
Island Industrial Customers Estimated Billing Impacts - 2019 Test Year Barrels
January 1, 2021

	Billing Units ¹	Unit	Current Rates	Billing at Existing Rates (\$)	Revised Rates	Revised Billings (\$)	Change (\$)	Change (%)
Demand (kW)	1,045,944	\$/kW/mo	10.73	11,222,979	10.73	11,222,979		
Energy - Firm (MWhs)	503,412	¢/kWh	4.428	22,291,067	4.428	22,291,067		
Specifically Assigned		\$	318,130	318,130	318,130	318,130		
Total Base Rate				33,832,176		33,832,176		0.0%
2017 GRA Cost Recovery Rider								
	503,412	¢/kWh	0.042	211,433	0.042	211,433		
RSP: Current Plan	503,412	¢/kWh	0.226	1,137,710	(0.235)	(1,183,017)	(2,320,728)	-6.6%
RSP: Fuel Rider	503,412	¢/kWh	(0.059)	(297,013)	(1.250)	(6,292,645)	(5,995,632)	-17.2%
CDM Recovery Adjustment	503,412	¢/kWh	0.012	60,409	0.012	60,409	-	0.0%
Total				34,944,716		26,628,356	(8,316,360)	-23.8%

¹ Billing units are based on October 1, 2019 - September 30, 2020 actuals.

Newfoundland and Labrador Hydro
Island Industrial Customers Estimated Billing Impacts -2021 Forecast Barrels
January 1, 2021

	Billing Units ¹	Unit	Current Rates	Billings at Existing Rates (\$)	Revised Rates	Revised Billings (\$)	Change (\$)	Change (%)
Demand (kW)	1,045,944	\$/kW/mo	10.73	11,222,979	10.73	11,222,979		
Energy - Firm (MWhs)	503,412	¢/kWh	4.428	22,291,067	4.428	22,291,067		
Specifically Assigned		\$	318,130	318,130	318,130	318,130		
Total Base Rate				33,832,176		33,832,176		0.0%
2017 GRA Cost Recovery Rider	503,412	¢/kWh	0.042	211,433	0.042	211,433		
RSP: Current Plan	503,412	¢/kWh	0.226	1,137,710	(0.235)	(1,183,017)	(2,320,728)	-6.6%
RSP: Fuel Rider	503,412	¢/kWh	(0.059)	(297,013)	(0.800)	(4,027,293)	(3,730,280)	-10.7%
CDM Recovery Adjustment	503,412	¢/kWh	0.012	60,409	0.012	60,409	-	0.0%
Total				34,944,716		28,893,708	(6,051,008)	-17.3%

¹ Billing units are based on October 1, 2019 - September 30, 2020 actuals.