

April 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: Utility Rate Stabilization Plan Fuel Price Projection Update

In accordance with Section C.2 of the Rate Stabilization Plan ("RSP") rules, Newfoundland and Labrador Hydro ("Hydro") is required to report its Utility RSP Fuel Price Projection to the Board of Commissioners of Public Utilities ("Board"), Newfoundland Power Inc. ("Newfoundland Power"), and the Island Industrial Customers by the tenth working day of April each year. The RSP Fuel Price Projection, utilizing the March month-end average monthly forecast for No.6 fuel prices, is used to determine a Fuel Rider to be included in the Utility Rate charged to Newfoundland Power effective July 1 each year.

No. 6 Fuel Price Forecast

As shown in Schedule A to this letter, the forecast average No. 6 fuel price for the period July 2021 to June 2022 is \$86.45 CDN per barrel. This forecast reflects a decrease of \$19.45 CDN per barrel from the price currently reflected in customers' base rates (\$105.90 CDN per barrel as approved in the 2019 Test Year).

Forecast Fuel Consumption and RSP Fuel Rider

Section C.2 of the RSP Rules provides the formula to be used in April of each year for the calculation of the fuel price projection for the use in establishing the Utility Rate to become effective July 1 of each 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."¹ Hydro is currently forecasting a material reduction in the number of barrels of No. 6 fuel, relative to the 2019 Test Year forecast, for the period July 1 2021 to June 30, 2022. This reduction reflects a projected completion date of November 15, 2021 for the Muskrat Falls Project.

Hydro has provided the RSP Fuel Rider if calculated using the number of barrels of No. 6 fuel reflecting (i) the 2019 Test Year forecast and (ii) the current forecast for the period July 1, 2021 to June 30, 2022. The detailed calculations are included in Schedule B to this correspondence.

¹ "Schedule of Rates, Rules and Regulations," Newfoundland and Labrador Hydro, February 1, 2021, sec C.2, at p RSP-6.

Table 1 provides a summary of the projected fuel savings resulting from the reduced fuel price projection comparing the use of the number of barrels based on the 2019 Test Year forecast to the current forecast of No. 6 barrels from July 1, 2021 to June 30, 2022.

Table 1: No. 6 Fuel Rider Considerations

Scenario	No. 6 Fuel Consumption (bbl)	Annual Fuel Savings (\$)	Utility Customer Allocation (92.9%) ² (\$)
2019 Test Year Forecast	1,834,980	35,690,361	33,156,345
July 2021–June 2022 Forecast	447,114	8,696,367	8,078,925
Difference	1,387,866	26,993,994	25,077,420

Table 1 indicates that the use of the number of barrels in 2019 Test Year Forecast will provide annual fuel price savings of approximately \$35.7 million versus \$8.7 million in fuel price savings if calculated using forecast No. 6 fuel consumption for the period July 1, 2021–June 30, 2022. Hydro believes that the calculation of the RSP Fuel Rider based on the 2019 Test Year Forecast does not reasonably reflect the fuel savings that will result from the reduced fuel price.

The use of the test year forecast would provide a projected excess in fuel savings to Newfoundland Power of approximately \$25.1 million through lower rates for the period July 1, 2021 to June 30, 2022. The provision of this excess savings in July 2021 rates would contribute to an expected \$25.1 million balance owing from customers when rates are set in July 2022. Therefore, to provide for rates that better reflect Hydro’s fuel costs, Hydro believes it is appropriate to use an alternate forecast in establishing the RSP Fuel Rider to be included in the Utility Rate effective July 1, 2021.

On March 31, 2021, Hydro filed an application to recover the 2020 balances in the Supply Cost Deferral Accounts through a transfer of approximately \$50.8 million to Newfoundland Power’s RSP Current Plan balance and a transfer of approximately \$4.1 million to the to the Island Industrial Customers’ RSP Current Plan balance, effective March 31, 2021. If approved, this transfer will result in collection through the RSP Current Plan Adjustments beginning July 1, 2021 for Newfoundland Power, and January 1, 2022 for the Island Industrial Customers.

Hydro plans to file its application for for a revised RSP Current Plan Adjustment, RSP Fuel Rider, and CDM³ Cost Recovery Adjustment to apply to the Utility Rate effective July 1, 2021 upon receiving the Board’s decision with respect to the proposed recovery of 2020 Deferred Supply Costs.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



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

² 92.9% reflects the portion of energy costs to be recovered from Newfoundland Power (including the rural deficit allocation).

³ Conservation and Demand Management (“CDM”).

Encl.

ecc: **Board of Commissioners of Public Utilities**

Jacqui Glynn
PUB Official Email

Newfoundland Power

Kelly C. Hopkins
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Dennis M. Browne, Q.C., Browne Fitzgerald Morgan & Avis
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Denis J. Fleming, Cox & Palmer
Dean A. Porter, Poole Althouse

Praxair Canada Inc.

Sheryl E. Nisenbaum
Peter Strong

Teck Resources Limited

Shawn Kinsella

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

Hydro Forecast USD/bbl ¹	Forecast	Premium/(Discount) ²	Landed Forecast Price
	USD/bbl (a)	USD/bbl (b)	USD/bbl (c) = (a) + (b)
July 2021	\$ 79.07	\$ 4.13	\$ 83.20
August 2021	\$ 74.75	\$ 4.13	\$ 78.88
September 2021	\$ 68.68	\$ 4.13	\$ 72.81
October 2021	\$ 67.50	\$ 4.13	\$ 71.63
November 2021	\$ 66.21	\$ 4.13	\$ 70.34
December 2021	\$ 63.15	\$ 4.13	\$ 67.28
January 2022	\$ 60.48	\$ 4.13	\$ 64.61
February 2022	\$ 59.91	\$ 4.13	\$ 64.04
March 2022	\$ 59.45	\$ 4.13	\$ 63.58
April 2022	\$ 58.51	\$ 4.13	\$ 62.64
May 2022	\$ 59.14	\$ 4.13	\$ 63.27
June 2022	\$ 59.72	\$ 4.13	\$ 63.85
Average Holyrood Forecast Landed Price (USD/bbl)	\$ 64.71	\$ 4.13	\$ 68.84
CDN/USD Exchange Rate ³			\$ 1.2560
Fuel Price Projection (CDN/bbl) ⁴			\$ 86.45

¹ USD pricing: New York Harbour price forecast, March 2021.

² Deliveries post October 17, 2017 will be charged \$4.13 USD/bbl as opposed to the \$5.03 USD/bbl per the original contract. This contract expires April 30, 2021 with deliveries currently scheduled until June 2021 under the existing terms. A Request for Proposal will close on May 4, 2021 for an additional one-year contract.

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

⁴ Price per barrel is rounded to the nearest \$0.05.

Newfoundland and Labrador Hydro
Rate Stabilization Plan Fuel Price Projection Rider
Utility Customer - 2019 Test Year Barrels

Line No	Customer Allocation	Amount	Comments
1	March 2021 Fuel Price Projection	\$ 86.45	From Schedule A
2	2019 Test Year Fuel Forecast Cost	\$ 105.90	
3	Forecast Fuel Price Variance	\$ (19.45)	Line 1 - Line 2
4	2019 Test Year Barrels of Consumption	1,834,980	
5	Forecast Fuel Cost Variance	\$ (35,690,361)	Line 3 x Line 4
6	Utility Customer Allocation Ratio	92.90%	From Line 8
7	Utility Customer Allocation	\$ (33,156,345)	Line 5 x Line 6
Calculation of Customer Allocation			
8	12 Months-to-Date Utility Sales	5,320,972,198	Percent of Total 86.12%
9	12 Months-to-Date Industrial Customer Sales	421,626,181	6.82%
10	12 Months-to-Date Bulk Rural Energy Sales	436,191,062	7.06%
11	Total	<u>6,178,789,441</u>	Allocation of Rural 6.78%
			Total 92.90%
			6.82%
			-7.06%
Calculation of Utility Customer RSP Fuel Rider			
12	Utility Customer Allocation	\$ (33,156,345)	From Line 7
13	12 Months-to-Date Utility Sales (kWh)	5,320,972,198	From Line 8
14	Fuel Projection Rider (cents per kWh)	<u><u>(0.623)</u></u>	Line 12/Line 13 x 100

Newfoundland and Labrador Hydro
Rate Stabilization Plan Fuel Price Projection Rider
Utility Customer - July 2021-June 2022 Forecast Barrels

Line No	Customer Allocation	Amount	Comments
1	March 2021 Fuel Price Projection	\$ 86.45	From Schedule A
2	2019 Test Year Fuel Forecast Cost	\$ 105.90	
3	Forecast Fuel Price Variance	\$ (19.45)	Line 1 - Line 2
4	July 2021-June 2022 Forecast Consumption (bbl)	447,114	
5	Forecast Fuel Cost Variance	\$ (8,696,367)	Line 3 x Line 4
6	Utility Customer Allocation Ratio	92.90%	From Line 8
7	Utility Customer Allocation	\$ (8,078,925)	Line 5 x Line 6
Calculation of Customer Allocation			
8	12 Months-to-Date Utility Sales	5,320,972,198	Percent of Total 86.12%
9	12 Months-to-Date Industrial Customer Sales	421,626,181	6.82%
10	12 Months-to-Date Bulk Rural Energy Sales	436,191,062	7.06%
11	Total	<u>6,178,789,441</u>	Allocation of Rural 6.78%
			92.90%
			6.82%
			-7.06%
			0.00%
Calculation of Utility Customer RSP Fuel Rider			
12	Utility Customer Allocation	\$ (8,078,925)	From Line 7
13	12 Months-to-Date Utility Sales (kWh)	5,320,972,198	From Line 8
14	Fuel Projection Rider (cents per kWh)	<u><u>(0.152)</u></u>	Line 12/Line 13 x 100