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October 15, 2019

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

A. 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 10th working day in October.

B. No. 6 Fuel Price Forecast

Page 1 of Schedule A attached to this letter provides the September 2019 No. 6 fuel price forecast of \$103.65/bbl (CDN) for the period January 2020 to December 2020. This fuel price projection reflects a decrease of \$2.25/bbl (CDN) over the 2019 Test Year No. 6 fuel price of \$105.90/bbl (CDN).

C. Forecast Industrial Customer Fuel Rider

Hydro has computed the 2020 Island Industrial Customer RSP Fuel Rider based upon the 2019 Test Year barrels and in accordance with established methodology as approved in the RSP Rules. This calculation, included on Page 2 of the attached Schedule A, shows a fuel rider of (0.058) cents/kWh which would result in a rate decrease for Island Industrial Customers of 0.9%.

D. Forecast Industrial Customer Current Plan Adjustment

To reflect the approval of the 2019 Test Year in the 2017 General Rate Application Order, Hydro continues to finalize the RSP restatement under the 2019 Test Year. However, in Board Order No. P.U. 21(2019) the Board approved the transfer of 2018 deferred supply costs resulting in a one-time transfer to the Island Industrial Customer Current Plan account of approximately \$1.9 million to be recovered from Island Industrial Customers. This reflects the Island Industrial Customer's portion of Hydro's approved 2018 deferred supply costs. The effect of that transfer alone would be an average rate increase of 4.5%.

E. Conclusion

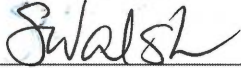
Hydro's forecast price of No. 6 fuel is currently \$103.65 CAD per barrel for the period from January 1, 2020 through December 31, 2020. The Industrial Customer current plan rider based on the \$1.9 million in deferred supply costs in combination with the fuel rider based on the updated fuel price forecast would be an average rate increase of 3.6%.

Hydro will file an application in January 2020 for approval of the Island Industrial Customer fuel rider and the RSP current plan adjustment effective January 1, 2020.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



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

- cc: **Newfoundland Power**
Mr. Gerard M. Hayes
- Consumer Advocate**
Mr. Dennis M. Browne, Q.C, Browne Fitzgerald Morgan & Avis
- Industrial Customer Group**
Mr. Paul L. Coxworthy, Stewart McKelvey
Mr. Denis J. Fleming, Cox & Palmer
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Ms. Julia Brown, Olthuis Kleer Townshend LLP
- Teck Resources Limited**
Mr. Shawn Kinsella

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

Hydro Forecast US \$/bbl ¹		Forecast US \$/bbl (a)	Premium / (Discount) ² US \$/bbl (b)	Landed Forecast Price US \$/bbl (c) = (a) + (b)
2019	January	74.60	4.13	
	February	75.95	4.13	
	March	80.00	4.13	
	April	80.59	4.13	
	May	79.00	4.13	
	June	75.81	4.13	
	July	73.64	4.13	
	August	71.49	4.13	
	September	69.47	4.13	
	October	69.66	4.13	
	November	70.02	4.13	
	December	69.58	4.13	
Average Holyrood Forecast Landed Price (\$US/bbl)		74.15	4.13	78.28
\$/Cdn/\$US Exchange Rate ³				<u>1.3241</u>
NLH Fuel Price Projection (\$Cdn/bbl) ⁴				<u>\$103.65</u>

Notes:

1. \$US pricing: New York Harbour price forecast, September 2019.
2. Deliveries post October 17, 2017 will be charged a premium of US\$4.13/bbl.
3. Average of the Bank of Canada \$Cdn/\$US Exchange Rate for the month of September 2019, rounded to 4 decimal places.
4. Price per barrel is rounded to the nearest \$0.05.

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

Industrial Customers

Line No.	Customer Allocation	Amount	Comments
1	October 2019 Fuel Price Projection	\$ 103.65	From Page 1
2	2019 Test Year Fuel Forecast Cost	\$ 105.90	
3	Forecast Fuel Price Variance	\$ (2.25)	Line 1 - Line 2
4	2019 Test Year Consumption (bbbls)	1,834,980	
5	Forecast Fuel Variance	\$ (4,128,705)	Line 3 x Line 4
6	Industrial Customer Allocation Ratio	9.03%	From Line 9
7	Industrial Customer Allocation	\$ <u>(372,822)</u>	Line 5 x Line 6
Calculation of Customer Allocation at September 30, 2019			
8	Utility 12 months-to-date kWh sales	5,987,124,616	
9	Industrial Customer 12 months-to-date kWh sales	642,557,070	
10	Bulk Rural 12 months-to-date kWh sales	485,224,173	
11	Total	<u>7,114,905,859</u>	
Calculation of Industrial Customer RSP Rate			
<u>Rate Rider</u>			
12	Industrial Allocation	\$ (372,822)	From Line 7
13	Industrial Customer 12 months-to-date kWh sales	642,557,070	From Line 9
14	Fuel Projection Rider (cents per kWh)	<u>(0.058)</u>	Line 12/Line 13 x 100
Percent of Allocation of Rural Total			
			Total
			84.15%
			6.55%
			90.70%
			0.00%
			9.03%
			-6.82%
			0.00%

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.