

1 Q. With regard to the NEB report referred to in the previous question, the NEB's report
2 at Chapter Two states that its reference case for West Texas Intermediate (WTI) is
3 assumed to average US \$90/bbl in 2011 and notes, "The real price increases slowly
4 over the projection period, reaching US \$115/bbl by 2035 (in U.S 2010 dollars). In
5 the low case, the WTI crude oil price is assumed to be US \$30/bbl below the
6 reference case price, reaching just over US \$85/bbl in 2035. In the high case, it is
7 assumed to be \$40 higher than the reference case price, growing to US \$155/bbl by
8 2035.

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10 a) What is PIRA's forecast for the price of WTI over this period as
11 compared to the NEB's?

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13 b) What is the price relationship between WTI and the types of No. 6
14 fuel oil presented in Exhibit 4?

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17 A. a) Under the license agreement for retainer services with PIRA Energy Group,
18 Nalcor is prohibited from releasing PIRA's proprietary content within the
19 public domain and therefore cannot provide PIRA's forecast for the price of
20 WTI. PIRA's price forecast for WTI crude oil has been submitted to the
21 Board as Confidential Exhibit CE-34, Rev. 1. The NEB forecasts have been
22 filed as Exhibit 118 and the EIA forecasts have been filed as Exhibit 117.

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24 Nalcor has provided a comparison of the PIRA, NEB, and EIA forecasts to the
25 Board as Confidential Exhibit CE-69, and notes they are similar.

Based on Nalcor's price forecasts provided on page 10 of Exhibit 43, the price in 2010 dollars for No. 6 (0.7%*s*) reference fuel reaches a ceiling of about \$108 per barrel in 2025. In the low price case, the No. 6 (0.7%*s*) real fuel price is about 35 dollars per barrel below the reference price forecast. In the high price case, the No. 6 (0.7%*s*) real fuel price is about 70 dollars per barrel above the reference price forecast. Nalcor's price forecasts for No. 6 fuel would be highly correlated with the underlying WTI crude price forecast which can be interpolated using the price ratio provided in the response below.

b) As indicated in the response to (a), Nalcor cannot provide the forecasted price relationship between WTI and the types of No. 6 fuel oil presented in Exhibit 4. The table below provides the historic New York Harbor price of No. 6 fuel oils relative to WTI at Cushing Oklahoma for the years 1995 through 2010.

#6 Fuel Oil Sulphur Content	Price Ratio to WTI
0.3% <i>s</i>	96%
0.7% <i>s</i>	84%
1.0% <i>s</i>	81%
2.2% <i>s</i>	75%
3.0% <i>s</i>	73%