

1 Q. Provide an explanation of the environmental fee and provide details of the
2 cost for 2000, 2001 and 2002 (JCR, Schedule I).

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4 A. The Environmental Fee is a fee paid to the Eastern Canada Response
5 Corporation (ECRC) for marine oil spill clean-up response services. The fee
6 is paid for ECRC to be on stand-by to clean-up spills of No. 6 fuel delivered
7 to Holyrood. An agreement was signed between Hydro and ECRC on
8 December 9, 1995 as a result of changes to the Canada Shipping Act
9 requiring such response arrangements to be in place. The fee is established
10 by the Canadian Minister of Fisheries and Oceans on a dollar per tonne of
11 fuel received (cargo fee) plus a \$450 annual renewal fee. The cargo fees are
12 paid quarterly in advance based on the previous years' shipments.
13 Adjustments are made to the payments in the following year to reflect any
14 over or under payments based on actual shipments in the previous year.

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16 In 1998 there was a reduction in the cargo fee retroactive to 1995 which was
17 not applied until 1999. This resulted in Hydro having an outstanding credit
18 with ECRC for payments from 1995 to 1999. The credit at the end of 1999
19 was applied against 2000 charges with the remainder refunded to Hydro in
20 June 2000.

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22 The actual fuel deliveries in 2000 were less than the amount charged for in
23 2000 resulting in a credit against 2001 charges and reduced 2001 payments.
24 The payments for 2002 reflect the higher fuel deliveries in 2001 and a charge
25 for estimated underpayments in 2001.

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The following table outlines these charges.

	<u>Current Year Charges¹</u> (\$)	<u>Previous Year Adjustments²</u> (\$)	<u>Total Payments</u> (\$)	<u>Account Balance</u> (\$)
1999 Year End				(57,193)
2000	35,685	(4,082)	(25,590) ³	0
2001	27,278	(8,408)	18,870	0
2002	64,759	37,479	102,238	0

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Notes

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1. Charges are based on previous year's shipments (i.e. 2000 charges based on 1999 shipments).

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2. Adjustments are based on the difference between the previous year's payments and the amount determined based on the previous year's actual shipments.

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3. The credit balance for 2000 was refunded to Hydro in June 2000.