

1 **Q. (Re: Discussion Paper on the Rate Stabilization Plan, page 17)**
2

3 **With reference to the discussion paper on the Rate Stabilization Plan and given the**
4 **discussion on oil price hedging in Exhibit JRH-1, does Grant Thornton believe**
5 **Hydro can establish a fuel price hedging program that can do better than a market**
6 **index so that Hydro will lower fuel costs? Please explain and give examples of**
7 **success under similar circumstances using a fuel price index.**
8

9 **A.** Grant Thornton is not suggesting that by establishing a fuel price hedging program Hydro
10 can do better than a market index which would result in lower fuel costs. Hedging
11 programs are normally used to manage volatility in prices and provide stability in the
12 short term. By using a hedge program, one would not generally expect to “beat the
13 market” on a consistent basis over the longer term.
14

15 As indicated on page 2 of the Discussion Paper we were requested to provide discussion
16 of possible modifications to the current RSP. The modifications presented may represent
17 complete alternatives to the existing plan or may be incorporated individually or in a
18 combination into the current RSP.
19

20 Our discussion included benefits and shortfalls of the potential modifications presented
21 where appropriate. We were not requested to provide recommendations relating to
22 specific modifications, but to present them to the Board and if they were to give the
23 options any further consideration, indicate the issues that would need to be addressed.
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25 As noted in the summary on page 26, we would expect that any further consideration
26 would include input from Hydro and the various stakeholders on the issues and
27 modifications discussed.