

1 Q. Further to Schedule VII, 1st Revision – Oct. 31, 2003, J.R. Haynes: Please
2 provide detailed calculations to explain why a reduction in 15,289 bbl of No. 6
3 fuel at \$28.95 per bbl results in a savings of \$224,000 (\$14.65 per bbl).

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6 A. The change in cost can be determined by referring to Schedule II 2nd
7 Revision – October 31, 2003, page 8 of 8, J. C. Roberts. This table details
8 the data used in the calculation of the production cost and the weighted
9 average purchase price.

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11 The weighted average purchase price of \$28.95 cannot be applied directly to
12 fuel usage to determine costs due to the blending effects of inventory. Also,
13 the annual barrel variance cannot be applied to an average cost per barrel to
14 determine the annual cost variance because it is affected by the differences
15 in monthly fuel costs and fuel usage.