

1 Q. Is the reduction in volatility gained from the RSP conceptually the same as
2 the reduction in volatility gained from using a financial hedge? Doesn't one
3 simply reduce the volatility without effecting the total cost while the other
4 reduces volatility by, if used properly, reducing the total cost? (**JRH p. 22,**
5 **line 23)**
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8 A. The reduction in volatility is conceptually similar in either the RSP or a
9 hedging program. The objective of a hedging program can only be to reduce
10 volatility. The prospect of realizing an overall reduction in oil costs through
11 the introduction of a hedging program, would be based on the premise of
12 successfully "beating the market" on a regular and continuous basis. Hydro
13 does not consider this an appropriate premise on which to base an oil price-
14 hedging program.