

1 Q. Please describe the process Hydro uses to purchase fuel.

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4 A. Currently, Hydro purchases its No.6 Fuel for the Holyrood Generating Station
5 through a supply agreement with Westport Petroleum Inc. This agreement
6 was publicly tendered for a three-year period in 2002, and Hydro exercised
7 its option in 2005 for an additional two years. The agreement provides a
8 discount from the Platt's monthly average New York Harbour price for the
9 month of the delivery date requested in the cargo's firm order. Pricing is in
10 US dollars.

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12 Firm orders are determined based on Holyrood production requirements and
13 to maintain sufficient storage to allow for potential shipping delays or other
14 unforeseen circumstances. Orders are generally for 275,000 barrels and are
15 confirmed a minimum of 28 days in advance of the required delivery date.

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17 Westport Petroleum Inc. arranges delivery of the required fuel, contacts the
18 vessel inspector, and informs the fuel supplier of the expected arrival time of
19 the vessel. Two samples of the delivered product are taken and sent to
20 independent laboratories. The actual quantity of fuel delivered is determined
21 by tank gauging. Following this, and average oil test results from the two
22 laboratories, adjustments are made for variances from the specifications for
23 BTU and water content of the fuel.

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25 Hydro purchases diesel fuel for its interconnected and isolated requirements
26 through supply agreements with a number of oil companies in the Province.
27 Hydro issues a public tender call for its diesel fuel supply every five years,
28 with the latest being April 2004. Diesel fuel prices are tied to a common base

1 price as listed in the Oil Buyer's Guide under the Montreal Rack price for low
2 sulphur diesel. Pricing is in Canadian dollars. Fuel delivery schedules vary
3 from plant to plant depending on fuel storage capacity and consumption
4 profiles.