

1 Q. Provide documentation, showing the evaluation of all available options  
2 considered by NLH, including the use of fuels with various levels of sulphur  
3 content over different periods of time so that the financial effect of this  
4 transition would be spread over a longer period of time?

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7 A. The attached report, *Holyrood Thermal Generating Station Emission Control*  
8 *Assessment* 2004-04-12, shows the evaluation of all available options  
9 considered by NLH, including the use of fuels with various levels of sulphur  
10 content over different periods of time so that the financial effect of this  
11 transition would be spread over a longer period of time.

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13 The recommended course of action in this report was to adopt a staged  
14 transition to 1% sulphur fuel over a 5-year period.

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16 The report was premised upon two prevailing assumptions:

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18 1. The Provincial and Federal regulatory requirements would be able to  
19 be met by staging a reduction in the level of sulphur in the HFO over  
20 the five-year period from 2005 – 2009.

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22 2. The premium between 2.2% sulphur heavy fuel oil (HFO) and 1%  
23 sulphur HFO was, at that time, forecast to be \$6.15 per barrel.

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25 However, by the autumn of 2005, Hydro determined that a staged reduction  
26 of the sulphur levels in the HFO would result in continued emissions in  
27 excess of permitted levels as determined by the modeling used in the  
28 administration of the Air Pollution Control Regulations, 2004. Based upon

**PUB 8 NLH**  
**Application for Approval of Recovery of Costs**  
**of 1% Sulphur Fuel through the RSP**

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1       that information, Hydro determined that it would not be able to bring itself  
2       within the levels prescribed by the Regulations, as determined by the  
3       modeling, through a staged reduction to 1% sulphur.

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5       Also, except for 2006, the current forecast for 1% sulphur HFO indicates that  
6       the premium will remain below \$3.00 per barrel until 2014 (see PUB-13  
7       NLH). This means that the rates impact of going to 1% sulphur fuel is  
8       considerably less severe than was originally expected.