

1     **Q.     Re: Fuel Oil Storage Facility - Refurbishment of Tank 3**

2             With reference to Hydro's response to PUB-NLH-16, what is the "unacceptably low  
3             level" of fuel storage for the Holyrood facility? What criteria has Hydro developed  
4             to determine what is the "unacceptable" level of fuel storage at Holyrood at any  
5             point of time? Is that criteria supported by any industry standard? Could Hydro  
6             avoid "unacceptable low levels" of fuel storage by increasing the frequency of oil  
7             deliveries and/or increasing the amount of particular deliveries to, for instance,  
8             avoid the falling below 100000 bbl events which would have occurred in February  
9             2004 in a two Tank scenario?

10

11

12     **A.**     Hydro determines acceptable levels of fuel storage at Holyrood by considering  
13             factors such as the expected short-term and long-term production requirements at  
14             the generating plant in addition to the time of year and potential for disruption of  
15             supply. During the winter peak periods, the production requirements are usually  
16             highest and fuel usage could be in excess of 15,000 bbls/day. It is prudent for  
17             Hydro to consider all factors and maintain acceptable levels so as not to risk  
18             draining the tanks below "dead tank" storage levels in the event of issues such as  
19             delays in the suppliers securing vessels and fuel, disruption in deliveries, etc.  
20             Operating at levels lower than "dead tank" levels would result in a generation  
21             output that is restricted to levels less than the nominal capability of the units. In  
22             the worst case, all units would have to be shut if the tanks are emptied. This could  
23             potentially result in the requirement to operate expensive standby generation  
24             sources and/or result in customer load curtailment. Hydro is not aware of any  
25             industry standards to support this criteria.

1 In theory, Hydro could increase the frequency of oil deliveries to avoid falling below  
2 100,000 bbl events. However, under a two tank scenario, shipments would have to  
3 be received on time and without delays caused by ice and weather so as to  
4 maintain acceptable levels of fuel. Recognizing that fuel must be ordered 28 days in  
5 advance of receipt, there would be a significant risk of a fuel shortage in the event  
6 of a disruption in supply, especially during high production periods. Hydro is  
7 constrained on the volume of fuel delivered due to its restrictions on maximum  
8 tanker size.