1 **Q.** **Please provide tables showing the 2010 Supply Cost Variance that would result**
2 **from the use of (i) the PPUCVR and (ii) the DMI under each of the following**
3 **scenarios:**
4
5 **(a)** **Actual demand is 1%, 2% and 3% above forecast, respectively and energy**
6 **sales are exactly equal to the forecast;**
7
8 **(b)** **Actual demand is 1%, 2% and 3% below forecast, respectively and energy**
9 **sales are exactly equal to the forecast;**
10
11 **(c)** **Actual energy sales are 1%, 2% and 3% above forecast, respectively and**
12 **demand is exactly equal to the forecast;**
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14 **(d)** **Actual energy sales are 1%, 2% and 3% below forecast, respectively and**
15 **demand is exactly equal to the forecast;**
16
17 **(e)** **Both energy and demand are 1%, 2% and 3% above forecast, respectively;**
18 **and**
19
20 **(f)** **Both energy and demand are 1%, 2% and 3% below forecast, respectively.**
21
22 **A.** (a) Table 1 provides the 2010 *Pro forma* Supply Cost Variance that would result
23 from the use of (i) the Purchased Power Unit Cost Variance Reserve mechanism
24 ("PPUCVR") and (ii) the Demand Management Incentive mechanism ("DMI")
25 when actual demand is 1%, 2% and 3% above forecast, respectively and energy
26 sales are exactly equal to the forecast.
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Table 1
2010 Pro forma Supply Cost Variances
For Variances in Demand and no Variances in Energy Sales
($000s)

Mechanism	Increase in Demand[1]		
	1%	**2%**	**3%**
PPUCVR[2]	522	1,095	1,617
DMI[3]	574	1,095	1,617

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[1] The percent variance in the Billing Demand used to determine Hydro's demand charge to Newfoundland Power.
[2] The 2010 Purchased Power Unit Cost Variance is calculated related with 2010 forecast which is the same as the 2010 test year forecasts.
[3] The 2010 Demand Supply Cost Variance is calculated relative to the 2010 test year forecast.

1   (b)   Table 2 provides the 2010 *Pro forma* Supply Cost Variance that would result
2   from the use of (i) the PPUCVR and (ii) the DMI when actual demand is 1%, 2%
3   and 3% below forecast, respectively and energy sales are exactly equal to the
4   forecast.
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Table 2
2010 Pro forma Supply Cost Variances
For Variances in Demand and no Variances in Energy Sales
($000s)

Mechanism	Decrease in Demand[4]		
	1%	**2%**	**3%**
PPUCVR[5]	(574)	(1,095)	(1,669)
DMI[6]	(522)	(1,095)	(1,617)

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9   (c)   Table 3 provides the 2010 *Pro forma* Supply Cost Variance that would result
10   from the use of (i) the PPUCVR and (ii) the DMI when actual energy sales is 1%,
11   2% and 3% above forecast, respectively and demand is exactly equal to the
12   forecast.
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Table 3
2010 Pro forma Supply Cost Variances
For Variances in Energy Sales and no Variances in Demand
($000s)

Mechanism	Increase in Energy Sales[7]		
	1%	**2%**	**3%**
PPUCVR[5]	1,106	2,234	3,331
DMI[6]	(527)	(1,064)	(1,612)

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[4]   The percent variance in the Billing Demand used to determine Hydro's demand charge to Newfoundland Power.
[5]   The 2010 Purchased Power Unit Cost Variance is calculated related with 2010 forecast which is the same as the 2010 test year forecasts.
[6]   The 2010 Demand Supply Cost Variance is calculated relative to the 2010 test year forecast.
[7]   The percent variance in Energy Sales as assumed to equal the same percentage change in energy purchased from Hydro.

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(d)   Table 4 provides the 2010 *Pro forma* Supply Cost Variance that would result from the use of (i) the PPUCVR and (ii) the DMI when actual energy sales is 1%, 2% and 3% below forecast, respectively and demand is exactly equal to the forecast.

Table 4
2010 Pro forma Supply Cost Variances
For Variances in Energy Sales and no Variances in Demand
($000s)

	Decrease in Energy Sales[8]		
Mechanism	**1%**	**2%**	**3%**
PPUCVR[9]	(1,136)	(2,249)	(3,390)
DMI[10]	568	1,073	1,619

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(e)   Table 5 provides the 2010 *Pro forma* Supply Cost Variance that would result from the use of (i) the PPUCVR and (ii) the DMI when energy sales and demand are 1%, 2% and 3% above forecast, respectively.

Table 5
2010 Pro forma Supply Cost Variances
For the Same Variances in Energy Sales and Demand
($000s)

	Increase in Energy Sales and Demand[11]		
Mechanism	**1%**	**2%**	**3%**
PPUCVR[9]	1,633	3,298	4,996
DMI[10]	-	-	-

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[8]   The percent variance in Energy Sales as assumed to equal the same percentage change in energy purchased from Hydro.
[9]   The 2010 Purchased Power Unit Cost Variance is calculated related with 2010 forecast which is the same as the 2010 test year forecasts.
[10] The 2010 Demand Supply Cost Variance is calculated relative to the 2010 test year forecast.
[11] The percent variance in energy and demand is the percent change in energy purchased from Hydro and the percent change in billing demand used to determine the demand change from Hydro.

(f)   Table 6 provides the 2010 *Pro forma* Supply Cost Variance that would result from the use of (i) the PPUCVR and (ii) the DMI when energy sales and demand are 1%, 2% and 3% below forecast, respectively.

Table 6
2010 Pro forma Supply Cost Variances
For the Same Variances in Energy Sales and Demand
($000s)

Decrease in Energy Sales and Demand[12]

Mechanism	1%	2%	3%
PPUCVR[13]	(1,704)	(3,374)	(5,009)
DMI[14]	-	-	-

Tables 1 through 6 show a comparison between the Supply Cost Variances from the *pro forma* operation of the PPUCVR and the DMI under certain energy and demand variances. The differences in between these variances can be attributed to energy cost variances being included in the operation of the PPUCVR and not in the operation of the DMI. If the Supply Cost Variance resulting from the operation of the Energy Supply Cost Variance mechanism ("ESCV") were included in the Tables 1 through 6 in combination with the DMI, the resulting total variation would be the substantially same as the Purchased Power Unit Cost Variance.[15]

Please refer to the response to Request for Information CA-NP-373 which provides a background on the development and operation of these reserve mechanisms.

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[12]   The percent variance in energy and demand is the percent change in energy purchased from Hydro and the percent change in billing demand used to determine the demand change from Hydro.
[13]   The 2010 Purchased Power Unit Cost Variance is calculated related with 2010 forecast which is the same as the 2010 test year forecasts.
[14]   The 2010 Demand Supply Cost Variance is calculated relative to the 2010 test year forecast.
[15]   The variances in any one year, calculated from the operation of the PPUCVR will be substantially the same as the total variances calculated from the combined operation of the ESCV and DMI, when the forecast used in the operation of the PPUCVR is the same as the test year forecast used in operation of the ESCV and DMI. Any differences in result will likely be the result of rounding within the operation of the mechanisms.