Q. Please illustrate the operation of the proposed Isolated System Supply Cost Variance Deferral Account during the period 2012 through 2014, assuming the mechanism had been approved based on a test year reflecting 2011 actual costs. Indicate in the response the dollar value of the annual variance determined by the Isolated System Supply Cost Variance formula in the proposed account definition that is due to each of (i) Diesel Fuel costs; (ii) purchases from Hydro Quebec; and, (iii) other. (Volume I, Section 3: Finance Schedule VI, page 1 of 1)

A. Please see NP-NLH-352 Attachment 1 for the Isolated System Supply Cost Variance Deferral Account calculations for 2012 through 2014 assuming 2011 actual values for the Test Year.

2012 Isolated Systems Supply Cost Variance Account - Illustration

Particulars	Diesel	HQ Purchases	Other [1]	Total
A - 2012 Actual Supply Produced and Purchased (kWh)	45,610,940	21,474,380	560,760	67,646,080
B - 2012 Actual Cost / 2012 Actual Production ($/kWh) [B1 / B2]	0.3457	0.1382	0.2893	0.2794
C - 2011 Test Year Cost / 2011 Test Year Production ($/kWh) [C1 / C2]	0.3293	0.1314	0.2752	0.2660
Isolated Supply Costs [A x (B-C)]				907,118
Cost Variance Threshold				500,000
Isolated Systems Supply Cost Deferral Balance				**407,118**
B1 - 2012 Actual Cost of No. 2 Fuel + Purchases ($)	15,768,472	2,967,438	162,220	18,898,130
B2 - 2012 Actual Production + 2012 Actual Purchases (kWh)	45,610,940	21,474,380	560,760	67,646,080
C1 - 2011 Test Year Cost of No. 2 Fuel + Purchases ($)	15,547,012	2,926,016	108,123	18,581,151
C2 - 2011 Test Year Production + 2011 Test Year Purchases (kWh)	47,206,528	22,265,590	392,880	69,864,998

[1] Other consists of purchases of Wind Generation at Ramea.

2013 Isolated Systems Supply Cost Variance Account - Illustration

Particulars	Diesel	HQ Purchases	Other	Total
A - 2013 Actual Supply Produced and Purchased (kWh)	48,204,263	22,410,540	636,960	71,251,763
B - 2013 Actual Cost / 2013 Actual Production ($/kWh) [B1 / B2]	0.3414	0.1380	0.2955	0.2770
C - 2011 Test Year Cost / 2011 Test Year Production ($/kWh) [C1 / C2]	0.3293	0.1314	0.2752	0.2660
Isolated Supply Costs [A x (B-C)]				786,474
Cost Variance Threshold				500,000
Isolated Systems Supply Cost Deferral Balance				**286,474**
B1 - 2013 Actual Cost of No. 2 Fuel + Purchases ($)	16,456,002	3,092,197	188,248	19,736,447
B2 - 2013 Actual Production + 2013 Actual Purchases (kWh)	48,204,263	22,410,540	636,960	71,251,763
C1 - 2011 Test Year Cost of No. 2 Fuel + Purchases ($)	15,547,012	2,926,016	108,123	18,581,151
C2 - 2011 Test Year Production + 2011 Test Year Purchases (kWh)	47,206,528	22,265,590	392,880	69,864,998

[1] Other consists of purchases of Wind Generation at Ramea.

2014 Isolated Systems Supply Cost Variance Account - Illustration

Particulars	Diesel	HQ Purchases	Other	Total
A - 2014 Actual Supply Produced and Purchased (kWh)	51,724,605	22,479,190	610,080	74,813,875
B - 2014 Actual Cost / 2014 Actual Production ($/kWh) [B1 / B2]	0.3527	0.1396	0.3091	0.2883
C - 2011 Test Year Cost / 2011 Test Year Production ($/kWh) [C1 / C2]	0.3293	0.1314	0.2752	0.2660
Isolated Supply Costs [A x (B-C)]				1,673,143
Cost Variance Threshold				500,000
Isolated Systems Supply Cost Deferral Balance				**1,173,143**
B1 - 2014 Actual Cost of No. 2 Fuel + Purchases ($)	18,243,816	3,138,097	188,573	21,570,487
B2 - 2014 Actual Production + 2014 Actual Purchases (kWh)	51,724,605	22,479,190	610,080	74,813,875
C1 - 2011 Test Year Cost of No. 2 Fuel + Purchases ($)	15,547,012	2,926,016	108,123	18,581,151
C2 - 2011 Test Year Production + 2011 Test Year Purchases (kWh)	47,206,528	22,265,590	392,880	69,864,998

[1] Other consists of purchases of Wind Generation at Ramea.