Q. Consumer Question: If energy sales are made to other consumers at a lower price than paid by Island consumers, will this increase the price to other consumers?

A. Consistent with the Terms of Reference and the Reference Question, Nalcor's analyses are based on Newfoundland customers being the only customers for Muskrat Falls energy. No other sales are included. With the assumption that Island consumers are paying rates sufficient to recover the entire costs of Muskrat Falls and the Labrador Island Transmission Link, the CPW of this scenario is expected to be $2.2 billion ($2010) less than the Isolated Island alternative.

Any revenue from sales of surplus energy could be either used to reduce rates or returned as a dividend to Nalcor's shareholder, the Government of Newfoundland and Labrador.

Q. Consumer Question: On page 5 of the April 1, 2011 letter to the Joint Panel Nalcor states that the capital structure for Muskrat Falls generation is 59/41 debt/equity. At http://www.nalcorenergy.com/assets/infocentre_infosheets_capitalinvestment profilefinal.pdf Nalcor states that "The cost to build the generating facility and transmission link to Churchill Falls will be paid through an equity investment from the Government of Newfoundland and Labrador". In CA/KPR-Nalcor 20 Nalcor states that the capital structure is 100% equity. Please clarify your capital structure assumptions along with assumptions on the cost of equity and debt underlying the 7.7 and 14.3 cent numbers.

A. Please refer to Nalcor's response to CA/KPL-Nalcor-138 and CA/KLP-Nalcor-139.

Q. Consumer Question: Further to CA/KPL-Nalcor-142, the costs cited above are wholesale costs. Please add retail costs and allow for inflation in costs on the part of the retail distributor, whether it is Newfoundland Power or Hydro.

A. Please refer to Nalcor's response to PUB-Nalcor-5.

Q. Consumer Question: PUB-Nalcor 46 answers the question: "If 'cost of service' ('COS') pricing were applied in determining the power purchase price, what would be the power purchase price paid by Hydro to Nalcor for Muskrat Falls power and energy in the first year of supply." The answer given is $214 per MWh. Is this a blended cost or is it the cost of Muskrat Falls power on its own?

A. Please refer to Nalcor’s response to CA/KPL-Nalcor-126 (a).

Q. Consumer Question: If the $214 is a blended rate what would be the rate for Muskrat Falls power on its own?

A. Please refer to Nalcor’s response to CA/KPL-Nalcor-126(a).

Q. Consumer Question: What would be the rate, blended and unblended, if the return on equity were 12%?

A. Nalcor interprets this question as a continuation of the preceding Requests for Information CA/KPL-Nalcor-144 and CA/KPL-Nalcor-145 wherein the 2017 rate for Muskrat Falls only under a cost of service approach of 214/$MWh was referenced.

The rate of $214/MWh was originally provided in response to PUB-Nalcor-46 and incorporated an 8.4% cost of capital, which was consistent with the cost of capital used for the Muskrat Falls PPA pricing approach. For the purposes of answering this question, Nalcor has interpreted the 8.4% return on capital used to derive the $214/MWh rate in 2017 as equivalent to a regulated weighted average cost of capital. Within this framework, an increase in the return on equity to 12% would have the effect of increasing the weighted average cost of capital from 8.4% to 8.9%, based on a 25% equity weighting and an increase in the cost of equity from 10% to 12%. Using this 8.9% weighted average cost of capital, the 2017 cost of service rate for Muskrat Falls energy (only) would increase to $228/MWh from $214 /MWh.

Please note that Nalcor does not intend to use a cost of service approach for pricing Muskrat Falls energy. For the reasons outlined in Exhibit 36, Nalcor intends to use an escalating supply price model.

Q. Consumer Question: Nalcor has decided to build Muskrat Falls (generation) through a power purchase agreement between Nalcor Energy, a non-regulated company and Newfoundland and Labrador Hydro, a regulated public utility. Muskrat Falls will not become part of the regulated rate base of Hydro. How does the PUB perform its due diligence to ensure that power purchase agreements represent least cost of power when their operations remain outside of a cost of service framework?

A. The information requested does not assist consideration of the Reference Question. Neither the Terms of Reference nor the Reference Question addresses the matters of regulatory oversight of Muskrat Falls.

Q. Consumer Question: Does the PUB treat all PPAs equally or do larger blocks receive greater prudential scrutiny, in light of the fact that the assets do not enter into the regulatory rate base?

A. The information requested does not assist consideration of the Reference Question. Neither the Terms of Reference nor the Reference Question addresses the matter of regulatory oversight of power purchase agreements.

Q. Consumer Question: Should a power purchase agreement for Muskrat Falls be accorded a higher level of regulatory oversight, in light of its magnitude, than would be accorded to smaller generation facilities?

A. The information requested does not assist consideration of the Reference Question. Neither the Terms of Reference nor the Reference Question addresses the matter of regulatory oversight of power purchase agreements.

Q. Consumer Question: In Exhibit 36 Nalcor cites the Bruce Power lease arrangement as a regulatory precedent to reduce prices in the early years of the Muskrat Falls project and to shift dividend payments to the back end of the time horizon. Has this precedent been deemed to be consistent with generally accepted accounting principles for public utilities?

A. Please note that Exhibit 36 did not introduce Bruce Power as a regulatory precedent, but rather as an example of an indexed power purchase contract. Since Nalcor is not a regulated public utility, regulatory precedents in this context are not a concern for Nalcor.

NL Hydro will have a PPA with a price escalator; this is not viewed as a regulatory precedent.