

1 Q. Consumer Question: Nalcor has used a 50 year projects (Muskrat Falls project and  
2 Isolated Island Option) comparison period ending in 2067. Please provide the CPWs  
3 for the Muskrat Falls project and the Isolated Island option with an end date of  
4 2041.

5

6

7 A. If the analysis period is truncated at 2041 instead of the full analytical term to 2067,  
8 the CPW preference of the Interconnected Scenario over the Isolated Island  
9 Scenario is \$1,058 million. This is discussed further in Nalcor's response to MHI-  
10 Nalcor-2.

1 Q. Consumer Question: Did Nalcor request a power price from Quebec until Upper  
2 Churchill power is available in 2041? Please provide details of such a request if  
3 same was made and please provide the reason why no request was made, if that is  
4 the case.

5

6

7 A. Nalcor evaluated the merits of importing electricity from other markets. This is  
8 addressed in Section 4.2.14 of Nalcor's Submission.

9

10 Nalcor did not enter into discussions with Hydro Quebec for long term electricity  
11 supply because Hydro Quebec's export alternatives are the same markets that  
12 Nalcor used as price references for imports. As a result, Nalcor used the market  
13 reference price forecast in its import option analysis. Nalcor notes that Hydro  
14 Quebec's sale price in its recent contract with the state of Vermont is "tied to  
15 inflation and electricity market indices"<sup>1</sup>.

---

<sup>1</sup> [http://www.hydroquebec.com/4d\\_includes/headlines/PcAN2010-129.htm](http://www.hydroquebec.com/4d_includes/headlines/PcAN2010-129.htm)

1 Q. Consumer Question: Nalcor has increased their rate of return on equity to 10%. Has  
2 Nalcor studied the long term impact this may have with respect to the Federal  
3 Equalization Plan re NL (if NL reverts to have not status?) Will Nalcor's increased  
4 profitability reduce future equalization payments?

5

6

7 A. In June 2009, the Government of Newfoundland and Labrador announced its  
8 intention to establish Hydro's return on regulated equity on a level "comparable to  
9 other Canadian regulated utilities"<sup>1</sup>.

10

11 Nalcor has not studied any potential impacts on equalization, and such an analysis  
12 would be within the purview of the Department of Finance, Government of  
13 Newfoundland and Labrador.

14

---

<sup>1</sup> <http://www.releases.gov.nl.ca/releases/2009/nr/0617n04.htm>

1 Q. Consumer Question: Has the cost of maintaining Holyrood as a backup been costed  
2 in the Muskrat option?

3

4

5 A. The Interconnected Island alternative includes the cost of maintaining Holyrood in  
6 service through 2021, at which time the capability for thermal generation will cease  
7 at Holyrood and the generators at Holyrood will operate as synchronous  
8 condensers.

9

10 Nalcor's analysis, filed as Exhibit 106, indicates that Holyrood is not required as a  
11 backup in the Interconnected Island Alternative (Muskrat option).

1 Q. Consumer Question: Has the cost of the transmission line from Bottom Brook to  
2 Cape Ray been included in the project costs?

3

4

5 A. The cost of the transmission line from Bottom Brook to Cape Ray is not included in  
6 the cost of either the Muskrat Falls generating facility or that of the Labrador-Island  
7 Transmission Link. The High Voltage direct current (HVdc) transmission facility  
8 originating in Bottom Brook is part of the Maritime Link and will be funded by  
9 Emera.<sup>1</sup>

---

<sup>1</sup> <http://www.pub.nl.ca/applications/MuskratFalls2011/files/presentation/Nalcor-ProjectOverview-July18-11.pdf>, page 37

1 Q. Consumer Question: Hydro customers are paying the full cost of MF power. Does  
2 the power purchase agreement between Nalcor & Hydro provide for any proceeds  
3 from the sale of excess MF power to be used to reduce customer power rates in  
4 future?

5

6

7 A. For the purposes of analysis, Nalcor has assumed there are no export sales and  
8 consequently, Hydro customers are assumed to pay the full cost of Muskrat Falls  
9 and the Labrador Island Transmission Link. This approach is consistent with the  
10 terms of reference for this proceeding before the Board. Even with this  
11 assumption, the Interconnected Island alternative is preferable over the Isolated  
12 Island alternative.

13

14 The use of proceeds from the project, including those from potential export sales,  
15 would be a future policy decision within the purview of future governments.

1 Q. Consumer Question: Is the power purchase agreement subject to PUB approval?

2

3

4 A. Any decision to refer the power purchase agreement for the purchase of electricity  
5 from Muskrat Falls to the PUB for review is within the purview of the Government  
6 of Newfoundland and Labrador.

7

1 Q. Consumer Question: Did Hydro obtain a quote to purchase power from Quebec to  
2 get to 2041? (expiry of Upper Churchill contract?)

3

4

5 A. Please refer to Nalcor's response to CA/KPR-Nalcor-32.



1 Q. Consumer Question: Why was interest during construction (IDC) not included in the  
2 \$6.2 billion MF project costs (or the project comparisons)?

3

4

5 A. The \$6.2 billion cost includes 2010 direct dollars, contingency, and escalation for  
6 Muskrat Falls, the Labrador Island Transmission link and the Maritime link. This  
7 value was used for reporting purposes as the debt-equity ratios and approaches to  
8 financing were not finalized. Nalcor has consistently acknowledged this during  
9 when referring to the \$6.2 billion cost.

10

11 To the extent that the DG2 analysis for Muskrat Falls is based on an assumption of  
12 100 percent equity, no interest during construction accrues for Muskrat Falls. The  
13 Labrador Island Transmission Link assumed a regulated 75:25 debt-equity capital  
14 structure and included an allowance for funds used during construction (AFUDC),  
15 inclusive of IDC, as per established regulatory practices.

1 Q. Consumer Question: Please provide CPW project comparisons using interest during  
2 construction?

3

4

5 A. All applicable interest during construction (IDC) and/or allowance for funds used  
6 during construction (AFUDC) provisions have been included in all in-service capital  
7 costs associated with the CPW analysis for the Isolated Island and Interconnected  
8 Island supply alternatives. Please refer to Exhibit 5 E and Nalcor's responses to MHI-  
9 Nalcor-49.3, CA/KPR-Nalcor-25 and CA/KPR-Nalcor-39.

10

11 The CPWs for the generation alternatives are as presented in Table 28 on page 124  
12 of Nalcor's Submission.