

Labrador-Island HVDC Link
Muskrat Falls - Soldier's Pond 900 MW LCC
October 2010 Financing Rates

Cost of Debt		Cost of Equity						
Federal Bonds: 10 years and over	Forecast Risk-Free Rate	Benchmark			Market beta ⁽⁴⁾	Market Adjusted Change in risk-free rate	Benchmark ROE ⁽⁵⁾	Adjusted ROE
		Risk-Free Rate ⁽³⁾	Change in risk-free rate	Market beta ⁽⁴⁾				
		4.50%		0.8		9.00%		
2010	4.04% ⁽¹⁾	4.04%	4.50%	-0.47%	0.8	-0.37%	9.00%	8.63%
2011	4.53% ⁽²⁾	4.53%	4.50%	0.03%	0.8	0.02%	9.00%	9.02%
2012	5.22%	5.22%	4.50%	0.72%	0.8	0.58%	9.00%	9.58%
2013	5.52%	5.52%	4.50%	1.02%	0.8	0.81%	9.00%	9.81%
2014	5.69%	5.69%	4.50%	1.19%	0.8	0.95%	9.00%	9.95%
2015	5.78%	5.78%	4.50%	1.28%	0.8	1.03%	9.00%	10.03%
2016	5.84%	5.84%	4.50%	1.34%	0.8	1.07%	9.00%	10.07%
2017	5.87%	5.87%	4.50%	1.37%	0.8	1.10%	9.00%	10.10%
2018	5.89%	5.89%	4.50%	1.39%	0.8	1.12%	9.00%	10.12%
2019	5.91%	5.91%	4.50%	1.41%	0.8	1.13%	9.00%	10.13%
2020	5.91%	5.91%	4.50%	1.41%	0.8	1.13%	9.00%	10.13%
2021	5.92%	5.92%	4.50%	1.42%	0.8	1.13%	9.00%	10.13%
2022	5.92%	5.92%	4.50%	1.42%	0.8	1.14%	9.00%	10.14%
2023	5.92%	5.92%	4.50%	1.42%	0.8	1.14%	9.00%	10.14%
2024	5.92%	5.92%	4.50%	1.42%	0.8	1.14%	9.00%	10.14%
2025	5.92%	5.92%	4.50%	1.42%	0.8	1.14%	9.00%	10.14%
2026	5.93%	5.93%	4.50%	1.43%	0.8	1.14%	9.00%	10.14%
2027	5.93%	5.93%	4.50%	1.43%	0.8	1.14%	9.00%	10.14%
2028	5.93%	5.93%	4.50%	1.43%	0.8	1.14%	9.00%	10.14%
2029	5.93%	5.93%	4.50%	1.43%	0.8	1.14%	9.00%	10.14%
Average	5.68%							9.94%
NL Spread	1.67%							10.00%
Cost of debt	7.35%							

For the 2010 PLF and generation planning analysis, NLH used a WACC/Discount Rate based on a 75:25 debt/equity capital structure, which at average costs, results in 8%.

Sources:

- ⁽¹⁾ 2010 - CDN Financial Institutions Dec 2009.
- ⁽²⁾ 2011 -2029 Conference Board of Canada's January 2010 long-term forecast.
- ⁽³⁾ NP 2009 General Rate Application, Reasons for Decision: Order P.U. 43(2009), p. 25.
- ⁽⁴⁾ NP 2009 Automatic Adjustment Formula Application, Schedule A (originally ordered P.U. 16 (1998-99)).
- ⁽⁵⁾ NP 2009 General Rate Application, Reasons for Decision: Order P.U. 43(2009), p. 25.