

1 Q. **Reference: 2018 Cost of Service Methodology Review Report dated November 15, 2018**

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3 Table 4 on page 19 shows "*Power Purchases – LTA Costs*" and "*Power Purchases – LIL*
4 *Costs*". Please provide further explanation of what these costs include and how they are
5 calculated.

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8 A. Information Request PUB-Nalcor-046 filed as part of the "Rate Mitigation Options and
9 Impacts Reference" and provided as CA-NLH-027, Attachment 1 details the calculations of
10 the revenue requirement items by entity.

1 Q. Please provide a detailed schedule of the forecast revenue requirement for the
2 Muskrat Falls Project from 2020 to 2039, including the assumptions used to prepare
3 the forecast.

4

5

6 A. The revenue requirement for 2020 to 2039 for each of the major components of
7 the Muskrat Falls Project is presented in Table 1 below.

8

9 The Muskrat Falls and Labrador Transmission Assets annual revenue requirement is
10 determined as per the terms of the Power Purchase Agreement and the Generator
11 Interconnection Agreement respectively. The Labrador-Island Link revenue
12 requirement is determined as per the terms of the Transmission Funding
13 Agreement. These agreements have been provided in Nalcor's response to PUB-
14 Nalcor-016.

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16 Other major assumptions associated with the forecast revenue requirement are
17 noted in Nalcor's response to PUB-Nalcor-030.

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Table 1

		Nalcor Energy's Projection of Revenue Requirement - Muskrat Falls, Labrador Transmission Assets, and Labrador-Island Link																			
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Muskat¹		102.0	244.7	261.8	277.4	298.2	319.6	337.0	355.0	373.6	392.7	425.7	459.8	481.4	503.7	526.7	550.4	574.8	600.1	626.0	652.8
Energy Sales		0.0	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PPA/GIA Adjustments		8.7	27.1	27.7	28.4	29.1	29.8	30.6	31.3	32.1	32.9	33.7	34.5	35.4	36.3	37.2	38.1	39.0	40.4	50.0	46.9
Operating Costs ²		5.1	15.6	15.9	16.2	16.5	16.9	17.2	17.6	17.9	18.3	18.7	19.1	19.4	19.8	20.2	20.7	21.1	21.5	22.0	22.4
Water Power Rental		1.9	5.8	5.9	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
IBA		117.7	293.0	311.4	328.1	349.8	372.3	390.8	409.9	429.6	450.0	484.1	519.4	542.3	565.9	590.2	615.2	641.0	668.0	704.1	728.1
Revenue Requirement																					
LTA¹		19.4	37.5	43.0	45.6	49.0	52.5	55.3	58.3	61.3	64.5	69.9	75.5	79.0	82.7	86.5	90.4	94.4	98.5	102.8	107.2
Energy Sales		0.0	5.1	(0.9)	(3.8)	(1.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PPA/GIA Adjustments		3.1	10.3	10.6	10.8	11.1	11.4	11.7	11.9	12.2	12.5	12.9	13.2	13.5	13.8	14.2	14.5	14.9	15.3	16.2	24.7
Operating Costs ²		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water Power Rental		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IBA		22.5	52.9	52.7	52.6	58.8	63.8	67.0	70.2	73.6	77.0	82.7	88.7	92.5	96.5	100.6	104.9	109.3	113.8	119.0	131.8
Revenue Requirement																					
LIL¹		41.8	125.2	123.5	121.8	120.4	118.4	116.7	115.0	113.6	111.6	109.9	108.2	106.8	104.8	102.2	98.8	96.7	94.1	91.7	89.4
Return on Equity		40.3	119.1	116.9	114.7	112.3	110.0	107.8	105.6	103.4	101.4	99.0	96.6	94.4	89.5	85.7	84.1	82.2	80.6	78.9	77.0
Net Interest Expense		32.3	97.0	97.0	97.0	97.0	97.0	97.0	97.0	97.0	97.0	97.0	97.0	97.0	97.0	97.0	97.0	97.0	97.0	97.0	97.0
Depreciation		12.4	38.6	39.5	40.5	41.5	42.6	43.6	44.7	45.8	46.6	48.1	49.3	50.5	53.0	54.3	55.6	57.0	57.1	66.0	85.5
Operating Costs ²		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes		12.67	379.9	376.9	374.0	371.3	367.9	365.1	362.3	359.8	359.6	354.0	351.0	348.6	344.2	339.2	335.5	332.8	328.7	335.5	351.6
Revenue Requirement																					
Total Annual LCP Revenue Requirement		266.9	725.8	741.0	754.7	779.9	804.1	822.9	842.4	863.0	886.6	920.9	959.1	983.5	1,006.6	1,030.0	1,055.6	1,083.1	1,110.5	1,156.6	1,211.5
Less:																					
NILH Net Export Revenue ³		(50.1)	(57.2)	(48.8)	(46.4)	(50.0)	(53.9)	(58.6)	(61.8)	(70.1)	(73.4)	(81.2)	(87.1)	(91.9)	(95.1)	(99.8)	(103.6)	(110.8)	(113.8)	(116.5)	(119.9)
Net LCP Revenue Requirement used for Rate Mitigation		216.8	668.6	692.2	708.2	729.9	750.1	764.4	780.7	792.9	813.1	839.7	872.0	891.6	911.5	930.2	952.0	972.4	996.7	1,040.0	1,091.6

Amounts may not add due to rounding.

- LCP Revenue Requirement presented in this response does not include any consideration or adjustment for the impact of Export values to reduce/mitigate this information.
- Operating costs include a provision for estimated Sustaining Capital.
- NILH Net Export Revenue includes the net revenue from the sale of Schedule 2 energy and Recall energy that is in excess of its domestic needs.

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