Reference from the Lieutenant-governor in Council
On the Muskrat Falls Project
(the "Muskrat Falls Review")
REQUESTS FOR INFORMATION

CA/KPL-MHI-16

Consumer Question: Re: Fuel Price Forecasts: The MHI study explains (vol. II, p. 204-205) that PIRA provides four forecast scenarios (reference price, low price, high price and expected price), where the expected price represents a weighted average of the other three scenarios. MHI states that "PIRA also estimates the discrete probability of occurrence for each of the ... scenarios. The relative probabilities assigned to each scenario can vary sharply from one forecast to the next." Note 244 refers to Exhibit 4, the NLH Thermal Fuel Oil Reference Forecast. What are the probabilities identified by PIRA for the high and low scenarios in the forecast used by Nalcor?

CA/KPL-MHI-17

Consumer Question: Re: Pricing Formula: CA/KPR-Nalcor-21 indicates that "The internal rate of return for the Muskrat Falls investment, based on a power purchase price of $76/MWh ($2010, escalating at 2% per year) applied on the Island's requirement for Muskrat Falls energy, is projected to be 8.4%. This IRR is calculated based on the equity returns of a 50 year term." PUB-Nalcor-46 states: "Nalcor notes that a cost of service pricing model will not be applied to determine the power purchase price to be paid by Hydro ...An 'escalating supply price' ... has been established to recover all costs ... at a defined IRR over the life of the project." CA/KPR-Nalcor-20, page 2, demonstrates that by 2067, all equity will have been returned and all corresponding dividends will have been paid.

(a) How will pricing for Muskrat Falls power be determined after 2067?

(b) Will the price (in current dollars) continue to escalate by 2% per year?

CA/KPL-MHI-18

Consumer Question: Re: Pricing Formula: Please compare the impacts for ratepayers between cost-of-service pricing and the proposed PPA pricing, for the period starting in 2067.

CA/KPL-MHI-19 Consumer Question: Can you please clarify that compounded interest on debt for both options under consideration have been included in the cost/benefit analysis of each? I note that to construct Muskrat Falls an immediate debt of approximately $5 billion will be required, while the Isolated Island option capital requirements are spread over a 50 year period – the majority of which appear some 35-40 years down the road. My concern is a large debt incurred between now and 2017 gathers enormous interest, while a progressive build, with substantial capital requirement 30 years down the road, gathers much less interest. Has this been factored into the cost/benefit of each of these projects?

Dated at St. John's in the Province of Newfoundland and Labrador, this 17th day of February, 2012.

Thomas Johnson
Consumer Advocate
323 Duckworth Street
St. John's, NL A1C 5X4
Telephone: (709)726-3524
Facsimile: (709)726-9600
Email: tjohnson@odeaearle.ca

clf:\oe\consumer advocate\muskrat falls\rfi (2ndmhi.rtf