

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

1 CA/KPR-Nalcor-18 Consumer Question: On June 17, 2009 the NL Gov issued a press  
2 release " Province Positions Hydro To Make Critical Investments in  
3 infrastructure " to permit Hydro to earn a a return on equity equal to  
4 Newfoundland Power" .The previous Hydro return was 4.47 % Nalcor  
5 uses a 10 % return in the Muskrat study (see p 17 Nalcor Presentation to  
6 PUB in July 2011). Please provide a detailed analysis by year of the  
7 impact of the increase in rate of return from 4.47 % to 10 % ( an increase  
8 of 5.53 % ) on the consumer power rates over the 50 years project  
9 analysis period?

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11 CA/KPR-Nalcor-19 Consumer Question: Please provide the impact on Muskrat project costs  
12 of the 5.53 % increase in the rate or return from 4.47% to 10%.

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14 CA/KPR-Nalcor-20 Consumer Question: The Muskrat Falls project cost is financed 75%  
15 debt/25% equity. Please provide a 50 year schedule of the 25% equity  
16 in the Muskrat Falls project. Please show the opening equity + the yearly  
17 additions – the yearly reductions = end of year equity by each year of the  
18 50 years.

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20 CA/KPR-Nalcor-21 Consumer Question: Nalcor is deferring receiving its equity return  
21 payment in the early years of the project to keep power rates low in early  
22 years of the project . Does the effect of this compounding of the 10 %  
23 equity while unpaid have any adverse impact on consumers? The  
24 projected debt cost at 7.4 % for the project is lower than the 10 %  
25 equity burden. What are the negative consequences for consumers of  
26 Nalcor's deferral of its equity return.

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- CA/KPR-Nalcor-22 Consumer Question: Please provide analysis of the impact of a 1% increase in interest rates on the Muskrat project costs and on the power rates?
- CA/KPR-Nalcor-23 Consumer Question: Please provide analysis of the impact of a 1% increase in the rate of return on equity on the project costs and on the power rates?
- CA/KPR-Nalcor-24 Consumer Question: Please provide analysis of the impact if oil prices are 20 % lower than that used in the study of the thermal option?
- CA/KPR-Nalcor-25 Consumer Question: Is any interest during construction cost provided for in the cost projections for the Muskrat project?
- CA/KPR-Nalcor-26 Consumer Question: Nalcor states that the average retail rate to consumers in 2017 will 16.4 cents per kwh . Please provide the profit portion "in cents per kwh" of the Nalcor 10 % return on equity which is included in the 16.4 cents per kwh?
- CA/KPR-Nalcor-27 Consumer Question: What is the incremental stand alone kwh cost of Muskrat falls power delivered to Soldiers Pond?
- CA/KPR-Nalcor-28 Consumer Question: Further to the previous question, what will the total system blended kwh cost be (Muskrat cost + the existing system cost)?

1	CA/KPR-Nalcor-29	Consumer Question: How does Nalcor plan to use its profits on the
2		project? Will the profit be used to pay down debt?
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4	CA/KPR-Nalcor-30	Consumer Question: If Nalcor builds Muskrat will the PUB be able to
5		review the final project costs to determine if reasonable?
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7	CA/KPR-Nalcor-31	Consumer Question: Nalcor has used a 50 year projects (Muskrat Falls
8		project and Isolated Island Option) comparison period ending in 2067.
9		Please provide the CPWs for the Muskrat Falls project and the Isolated
10		Island option with an end date of 2041.
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12	CA/KPR-Nalcor-32	Consumer Question: Did Nalcor request a power price from
13		Quebec until Upper Churchill power is available in 2041? Please provide
14		details of such a request if same was made and please provide the
15		reason why no request was made, if that is the case.
16		
17	CA/KPR-Nalcor-33	Consumer Question: Nalcor has increased their rate of return on equity
18		to 10%. Has Nalcor studied the long term impact this may have with
19		respect to the Federal Equalization Plan re NL (if NL reverts to have not
20		status?) Will Nalcor's increased profitability reduce future equalization
21		payments?
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23	CA/KPR-Nalcor-34	Consumer Question: Has the cost of maintaining Holyrood as a backup
24		been costed in the Muskrat option?
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26	CA/KPR-Nalcor-35	Consumer Question: Has the cost of the transmission line from Bottom
27		Brook to Cape Ray been included in the project costs?
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29	CA/KPR-Nalcor-36	Consumer Question: Hydro customers are paying the full cost of MF
30		power. Does the power purchase agreement between Nalcor & Hydro
31		provide for any proceeds from the sale of excess MF power to be used to
32		reduce customer power rates in future?

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2 CA/KPR-Nalcor-37 Consumer Question: Is the power purchase agreement subject to PUB  
3 approval?

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5 CA/KPR-Nalcor-38 Consumer Question: Did Hydro obtain a quote to purchase power from  
6 Quebec to get to 2041? (expiry of Upper Churchill contract?)

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8 CA/KPR-Nalcor-39 Consumer Question: Why was interest during construction (IDC) not  
9 included in the \$6.2 billion MF project costs (or the project comparisons)?

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11 CA/KPR-Nalcor-40 Consumer Question: Please provide CPW project comparisons using  
12 interest during construction?

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14 CA/KPR-Nalcor-41 Consumer Question: Nalcor has deferred taking its 10% return on equity  
15 (ROE ) in the early years to create lower power rates in the early years.  
16 Nalcor then uses a power purchase agreement for power generation  
17 costs to create lower rates than there would be under a traditional cost  
18 of service agreement. What would the present power cost of 14.3 cents  
19 per KWh be if Nalcor used a traditional cost of service approach to  
20 pricing?

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22 CA/KPR-Nalcor-42 Consumer Question: Please prepare a graph showing power rates using  
23 a cost of service approach as compared to the power purchase  
24 agreement approach to 2067?

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26 CA/KPR-Nalcor-43 Consumer Question: Upper Churchill power is available in 2041. High  
27 oil price projections out to 2067 make the thermal option look bad. In  
28 Nalcor 's Submission to the PUB p.124 Table 28 the isolated island option  
29 CPW is a total of \$8.8 billion (\$6.0 billion -of this cost is fuel expense to  
30 2067). 68% of the CPW cost of the thermal isolated island option is fuel  
31 costs out to 2067. (a large quantity of high priced fuel is used out  
32 to 2067). We only need to get to 2041. Has Nalcor looked at options to  
33 get to 2041?

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1 CA/KPR-Nalcor-44 Consumer Question: Nalcor 's Submission to PUB p128 of 158. The in  
2 service 2041 price for Churchill Power was the projected New York  
3 market price. Please use a projected cost of Churchill Falls power in  
4 2041 as a basis for the CPW calculation?

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6 CA/KPR-Nalcor-45 Consumer Question: Please provide responses to the following  
7 questions:

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9 At table 32 (page 143) of Nalcor's Submission to the PUB, NLH  
10 provides initial estimates of the comparative wholesale and retail rates  
11 through to year 2040.

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13 a) What would the Interconnected Island Alternative rates be if the MF  
14 cost exceeded the current cost estimate of \$5 billion by: 20%, 40%,  
15 60% and 80%?

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17 b) Do the rates for the Interconnected Island Alternative include the  
18 costs of the 50 MW CT and Holyrood retirement?

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22 DATED at St. John's, in the Province of Newfoundland and Labrador, this 7<sup>th</sup> day of December,  
23 2011.

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