

- 1 Q. Consumer Question: Re: Pricing Formula: CA/KPR-Nalcor-21 indicates that “The
2 internal rate of return for the Muskrat Falls investment, based on a power purchase price
3 of \$76/MWh (\$2010, escalating at 2% per year) applied on the Island’s requirement for
4 Muskrat Falls energy, is projected to be 8.4%. This IRR is calculated based on the equity
5 returns of a 50 year term.” PUB-Nalcor-46 states: “Nalcor notes that a cost of service
6 pricing model will not be applied to determine the power purchase price to be paid by
7 Hydro ...An ‘escalating supply price’ ... has been established to recover all costs ... at a
8 defined IRR over the life of the project.” CA/KPR-Nalcor-20, page 2, demonstrates that
9 by 2067, all equity will have been returned and all corresponding dividends will have
10 been paid.
- 11 (a) How will pricing for Muskrat Falls power be determined after 2067?
12 (b) Will the price (in current dollars) continue to escalate by 2% per year?
13
- 14 A. The study period reviewed by MHI ended in 2067 and any analysis beyond this timeline
15 is outside the scope of the Terms of Reference.