Q. 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?

A. All projects in the Isolated Island Option, as well the Labrador-Island Link HVdc System component of the Infeed Option, incorporate compound interest through the cost element "Allowance for Funds Used During Construction (AFUDC)". With respect to Muskrat Falls, debt costs have been included in the Muskrat Falls analysis at no cost since the total financing cost element at this stage of the Decision Gate process was based on equity. Equity financing is typically priced at a higher cost than debt.

The project financing required for the construction of Muskrat Falls will be drawn down as needed to cover the costs as they are incurred. The effect of timing for the near-term costs associated with Muskrat Falls and the Labrador-Island Link financing, and later costs associated with the Isolated Island Option financing, have all been incorporated into the CPW analysis that was performed. From this perspective, the cost of debt has been factored into the cost/benefit of each of the projects.