Q. Consumer Question: In its April 1, 2011 letter to the Joint Panel Nalcor make the following statements (on page 4):

"The 7.7 cents per kWh figure is a levelized unit energy cost (LUEC) for Muskrat Falls generation only calculated the traditional way - the present value of costs divided by the present value of output. A critical feature of this type of analysis is that the output is total plant capability, in the case of Muskrat Falls, this is 4.9 TWh annually.

The 14.3 cents per kWh figure is the equivalent escalating price for the Island market, assuming that the entire cost of the Muskrat Falls generating station and the Labrador-Island Transmission Link is recovered based on projected demand in the Island market. The price per kWh is expressed in real terms and escalates according to CPI.

Please cite a definition of the LUEC from electrical industry sources.

A. Definitions of both LUEC and “escalating supply price” are provided on pages 41 and 42 of Nalcor’s Submission.

The US Energy Information Administration offers a definition of levelized cost as follows:

> Levelized cost is often cited as a convenient summary measure of the overall competiveness of different generating technologies. Levelized cost represents the present value of the total cost of building and operating a generating plant over an assumed financial life and duty cycle, converted to equal annual payments and expressed in terms of

real dollars to remove the impact of inflation. Levelized cost reflects overnight capital cost, fuel cost, fixed and variable O&M cost, financing costs, and an assumed utilization rate for each plant type.[1]

Please note that the levelized cost referred to in the EIA definition above is expressed on a per kWh basis, which reflects the plant production.

[1] http://www.eia.gov/oiaf/aeo/electricity_generation.html