

1 Q. In Exhibit 15m why was the HVDC line cost not rolled into the cost of service pricing
2 for Muskrat Falls?

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5 A. Exhibit 15 provides the internal rate of return calculation for Muskrat Falls based on
6 its capital costs and net cash flows. As outlined in Exhibit 36 and MHI-PUB-58(h),
7 the underlying price for Muskrat Falls power has not been derived in a traditional
8 cost of service manner. The HVdc line that is included in the CPW analysis is, by
9 contrast, costed on a traditional cost of service basis.

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11 The reason for this different treatment of costs is that while investments in power
12 generation facilities in open markets are typically not regulated on selling price,
13 transmission investments, in most instances, are recovered through a cost of
14 service based model. Nalcor wished to ensure that future pricing for transmission
15 services on the Labrador Island Link (LIL) would be consistent with this established
16 model.