Q. Consumer Question: In PUB-Nalcor-46, Nalcor indicates that under a COS agreement and to achieve an internal rate of return of 8.4%, the price of Muskrat Falls power would be $214 per MWh in year 1 and decline each year thereafter.

(a) What would the starting price be if the Muskrat Falls project had to achieve a 10% internal rate of return?

(b) If this price series was used to the PPA then what would the CPW of the PPA be?

A. For the purposes of answering this information request, Nalcor interprets the 10% internal rate of return as being a total cost of capital. Accordingly, the regulated discount rate would have to increase to 10% to properly reflect CPW results.

(a) If the total cost of capital for the Muskrat Falls were 10%, the cost of Muskrat falls power would increase from $214 /MWh to $258 /MWh in year 1.

(b) Using a discount rate consistent with the cost of capital, the CPW for the cost of service power purchases would be $2,372 million ($2010). This CPW will be comparable to CA/KPL-Nalcor-245. However, this power purchase CPW is not comparable to the reference DG2 CPW analysis because of the change in the cost of capital and the corresponding discount rate.