Q. Consumer Question: Nalcor plans to use a PPA for Muskrat Falls power using an escalating supply price regime with a base price of $76 per MWh (in 2010$) escalating at 2% annually.

(a) What would the base price change to if the internal rate of return on Muskrat Falls were to be set at 10% rather than 8.4%?

(b) Using the resulting price series, what would the CPW for 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 internal rate of return for the Muskrat Falls were to increase to 10%, the PPA base price would increase to $98 /MWh ($2010 escalating at 2% per year) from the DG2 reference price of $76 /MWh ($2010 escalating at 2% per year).

(b) Using a 10% internal rate of return, and a consistent discount rate, the CPW for the power purchases from Muskrat Falls would be $2,278 million ($2010). This CPW is comparable to CA/KPL-Nalcor-244. 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.